

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Dream International Limited, you should at once hand this document to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this document.



DREAM INTERNATIONAL LIMITED
德林國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1126)

**PROPOSED GENERAL MANDATES
TO ISSUE SHARES AND REPURCHASE SHARES,
DIRECTORS BEING PROPOSED FOR RE-ELECTION
AND
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

A notice convening the annual general meeting of Dream International Limited to be held at Pacific Room III, Towers Wing, 9/F., The Royal Pacific Hotel and Towers Hong Kong, 33 Canton Road, China Hong Kong City, Tsimshatsui, Kowloon, Hong Kong on 26 May 2006 at 10:30 a.m. is set out in the annual report for the year ended 31 December 2005 to be despatched to shareholders together with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at 8th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Annual General Meeting”	the annual general meeting of the Company to be held on 26 May 2006 at Pacific Room III, Towers Wing, 9/F., The Royal Pacific Hotel and Towers Hong Kong, 33 Canton Road, China Hong Kong City, Tsimshatsui, Kowloon, Hong Kong, or any adjournment thereof
“Articles of Association”	the articles of association of the Company
“C & H Korea”	C & H Co., Ltd., a company established in the Republic of Korea and is the holding company of the Company
“Code”	the Hong Kong Code on Takeovers and Mergers
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 32)
“Company”	Dream International Limited
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	24 April 2006, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting the Proposed Repurchase Mandate
“Share(s)”	share(s) of US\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



DREAM INTERNATIONAL LIMITED

德林國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1126)

Executive Directors:

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

Registered Office:

8th Floor, Tower 5
China Hong Kong City
33 Canton Road, Tsimshatsui
Kowloon, Hong Kong

Independent Non-executive Directors:

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

27 April 2006

To the Shareholders

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES
TO ISSUE SHARES AND REPURCHASE SHARES,
DIRECTORS BEING PROPOSED FOR RE-ELECTION
AND
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

INTRODUCTION

On 12 April 2006 the Directors of the Company announced the audited consolidated results of the Company for the year ended 31 December 2005. The purpose of this circular is to provide you with information regarding the general mandates to issue shares and to repurchase shares which are proposed to be granted to the Directors, amendments to the Articles of Association and the proposed re-election of the Directors who are due to retire. These ordinary resolutions will be proposed at the Annual General Meeting of the Company to be held on 26 May 2006.

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SHARES

In order to ensure flexibility to the Directors, in the event that it becomes desirable to issue any share, approval is to be sought from Shareholders, pursuant to the Listing Rules, for a general mandate to issue Shares. At the Annual General Meeting, an ordinary resolution No. 5(1) will be proposed to grant a general mandate to the Directors to exercise the powers of the Company to allot and issue new shares in the share capital of the Company up to 10 per cent. of the aggregate nominal amount of the Company in issue as at the date of passing of the resolution in relation to such general mandate. As at the Latest Practicable Date, the number of Shares of the Company in issue was 668,529,000. Subject to the passing of the resolution granting the general mandate to the Directors to exercise the powers of the Company to allot and issue new shares in the share capital of the Company and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to allot a maximum of 66,852,900 Shares during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting. In addition, subject to a separate approval of the ordinary resolution No. 5(3), the number of Shares purchased by the Company under ordinary resolution No. 5(2) will also be added to the 10 per cent. general mandate as mentioned in the ordinary resolution No. 5(1).

GENERAL MANDATE TO REPURCHASE SHARES

In addition, an ordinary resolution No. 5(2) will be proposed to provide the Directors with the authority to exercise the powers of the Company to repurchase shares representing up to 10 per cent. of the aggregate nominal amount of share capital in issue as at the date of passing of the resolution in relation to such Proposed Repurchase Mandate.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Proposed Repurchase Mandate is set out in the Appendix to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the Annual General Meeting.

LETTER FROM THE BOARD

DETAILS OF DIRECTORS BEING PROPOSED FOR RE-ELECTION AT ANNUAL GENERAL MEETING

For your further information, we set out below the relevant details of the retiring Directors proposed to be re-elected at the Annual General Meeting:

(i) Mr. Young M. Lee

Mr. Lee, aged 50, was appointed as the Director of the Company on 23 November 2001. He is also the Chief Financial Officer of the Company. Mr. Lee has 20 years of working experience in U.S. in the areas of accounting and finance such as public accounting, consulting to financial institutions, mergers and acquisitions, corporate controllership and investment banking. Prior to joining the Group in May 2001, Mr. Lee was the Managing Director of Kohap (Hong Kong) Ltd., which is the trading and financing arm of a Korean conglomerate, Kohap Ltd. He is responsible for the overall financial management, strategic and business planning of the Group.

Other than the directorate of the Company, Mr. Lee is also the director of the following members of the Company's group: J.Y. Toys Co., Ltd., J.Y. International Company Ltd. and C & H HK Corp., Ltd. Mr. Lee has not held any other directorships in listed public companies in the last three years.

Pursuant to the service contract entered between the Company and Mr. Lee, Mr. Lee was appointed as an executive director of the Company with no specific term of service and is terminable by the Company giving not less than three months notice or payment in lieu thereof, subject to the retirement and re-election provisions under the articles of association of the Company. Mr. Lee is entitled to receive emoluments of HK\$2,000,000 per annum as determined by the Board with reference to the Company's current standard emoluments for executive directors and prevailing market rate together with discretionary bonus based on his performance.

Mr. Lee does not have any relationships with any other directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules).

As at the Latest Practicable Date, Mr. Lee was beneficial owner of 1,740,000 shares of the Company and the outstanding share options of 1,360,000 ordinary shares granted on 7 February 2002 under the share option scheme adopted on 22 January 2002 of the Company, pursuant to Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is discloseable under Rule 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

(ii) Mrs. Shin Hee Cha

Mrs. Cha, aged 51 was appointed as the Director of the Company on 24 January 2006. She is also the director of Dream INKO Co., Ltd. (“Dream INKO”), a wholly owned subsidiary of the Company. She joined C & H Co., Ltd., the immediate holding company of the Company, on 1 April 1984 and has been in charge of the sales and marketing function as Vice President. She was moved to Dream INKO when C & H Co., Ltd split off its sales and marketing of toys business to Dream INKO in August 2003. Mrs. Cha graduated from the University of Inha in South Korea, with a bachelor degree of social education in 1980. Prior to joining C & H Co., Ltd., Mrs. Cha was a general manager in Determined Productions, Inc. in South Korea for four years, which was engaged in toys trading business.

Other than the directorate of the Dream INKO and C & H Lanka (Private) Ltd., which is undergoing voluntary liquidation in Sri Lanka, Mrs. Cha does not hold any position with the Company or any member of the Company’s group. In addition, Mrs. Cha does not hold any other directorships in listed public companies in the last three years.

Pursuant to the service contract entered between by the Company and Mrs. Cha, Mrs. Cha was appointed as an executive director on 24 January 2006 with no specific term of service and is terminable by the Company giving not less than three months notice or payment in lieu thereof, subject to the retirement and re-election provisions under the articles of association of the Company. Mrs. Cha is entitled to receive emoluments of Korean Won 300,000,000 per annum as determined by the Board with reference to the Company’s current standard emoluments for executive directors, their respective job natures and prevailing market rate together with discretionary bonus based on her performance.

Besides Mrs. Cha being the younger sister-in-law of Mr. Kyoo Yoon Choi, the Chairman of the Company, she does not have any relationships with any other directors, senior management, substantial or controlling shareholders of the Company (as defined in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited).

As at the Latest Practicable Date, Mrs. Cha was not interested or deemed to be interested in any shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, save for the outstanding share option of 3,500,000 ordinary shares in the Company granted on 2 January 2004 under the share option scheme adopted on 22 January 2002 of the Company and 21,319 ordinary shares in C & H Co., Ltd.

Save as disclosed above, there are no other matters relating to her re-election that need to be brought to the attention of the Shareholders and there is no other information which is discloseable under Rule 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

(iii) Mr. Valiant, Kin Piu Cheung

Mr. Cheung, aged 60, was appointed as the Independent Non-Executive Director of the Company on 22 October 2001. He was a partner at KPMG, a leading international accounting firm in Hong Kong. Mr. Cheung has extensive experience in assurance and corporate finance work, particularly on trading and manufacturing corporations in Hong Kong and the PRC, and has assisted a number of companies in obtaining a listing on the stock exchanges in Hong Kong, the PRC, Singapore and US. In addition, he has provided financial advisory and due diligence services to foreign investors on investments in the PRC. Mr. Cheung is a fellow member of the Institute of Chartered Accountants in English and Wales and the Hong Kong Institute of Certified Public Accountants.

Other than the position of independent non-executive director, audit committee member and remuneration committee member of the Company, Mr. Cheung does not hold any position with the Company or any member of the Company's group. Meanwhile, Mr. Cheung is also the Independent non-executive director of two listed companies in the main board of the Stock Exchange of Hong Kong, Wing Shan International Ltd. (570) and Pacific Century Premium Developments Ltd. (432), in the last three years.

Pursuant to the letter of engagement issued by the Company to Mr. Cheung, his service contract has been renewed for a term of two years commencing from 22 October 2005, subject to the retirement and re-election provisions under the articles of association of the Company. Mr. Cheung is entitled to receive emoluments of HK\$139,200 per annum by reference to the Company's current standard emoluments for independent non-executive directors and prevailing market rate.

Mr. Cheung does not have any relationships with any other directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules).

As at the Latest Practicable Date, Mr. Cheung was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is discloseable under Rule 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

(iv) Professor Cheong Heon Yi

Professor Yi, aged 41, was appointed as the Independent Non-Executive Director of the Company on 22 November 2003. He received his bachelor's degree and master's degree in business administration from Seoul National University in Korea. Professor Yi was also awarded a philosophy of doctorate degree in accounting in 1997 from the University of California, Los Angeles. Professor Yi has taught at the University of California, Los Angeles for a year before joining the Hong Kong Polytechnic University in 1997. Professor Yi's research interests include financial reporting and corporate governance. His teaching focuses on financial accounting at the undergraduate level and financial reporting and corporate governance at the postgraduate level.

Other than the position of independent non-executive director, audit committee member and remuneration committee member of the Company, Professor Yi does not hold any position with the Company or any member of the Company's group. In addition, Professor Yi has not held any other directorships in listed public companies in the last three years.

Pursuant to the letter of engagement issued by the Company to Professor Yi, his service contract has been renewed for a term of two years commencing from 22 November 2005, subject to the retirement and re-election provisions under the articles of association of the Company. Professor Yi is entitled to receive emoluments of HK\$126,000 per annum by reference to the Company's current standard emoluments for independent non-executive directors and prevailing market rate.

Professor Yi does not have any relationships with any other directors, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules).

As at the Latest Practicable Date, Professor Yi was not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is discloseable under Rule 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to comply with Appendix 3 and Appendix 14 of the Listing Rules, the following Special Resolution will be proposed at the Annual General Meeting to amend the Articles of Association of the Company so that (i) any director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, (ii) all directors (including the Chairman of the Board or the Managing Director) shall be subject to retirement by rotation at least once every three years, and (iii) a director may be removed by an ordinary resolution of shareholders instead of a special resolution:—

“THAT the Articles of Association of the Company be and are hereby amended in the following manner:

- (1) by deleting the word “annual” in the second sentence of Article 92;
- (2) by deleting the existing Article 101 in its entirety and substituting therefor with the following new Article 101:

“At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then, the number nearest to but not less than one-third, shall retire from office by rotation provided that notwithstanding anything herein, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years or within such other period as the Stock Exchange of Hong Kong may from time to time prescribe or within such other period as the laws of such jurisdiction applicable to the Company may prescribe. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election.”; and

- (3) by deleting the word “special” in the first line of Article 107 and substituting therefor with the word “ordinary”.

FORM OF PROXY

A form of proxy for use at the Annual General Meeting is enclosed with the annual report for the year ended 31 December 2005 of the Company which will be despatched to the members on or before 28 April 2006. Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy and return it to the Company in accordance with the instruction printed thereon not less than 48 hours before the time fixed for the holding of the Annual General Meeting. Completion and delivery of the form of proxy will not prevent the Shareholders from attending and voting at the Annual General Meeting if they so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposed ordinary resolutions for the granting to the Directors of the general mandate to issue shares, amendment to the Articles of Association and the Proposed Repurchase Mandate and for the re-election of directors are in the interests of the Group and its Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

RIGHT TO DEMAND A POLL

Pursuant to Article 73 of the Articles of Association of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- (a) by the Chairman; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution. The demand for a poll may be withdrawn.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Kyoo Yoon Choi
Chairman

The following is the explanatory statement required to be sent to Shareholders under the Listing Rules in connection with the Proposed Repurchase Mandate and also constitutes the memorandum required under Section 49BA of the Companies Ordinance.

SHARE CAPITAL

As at the Latest Practicable Date, the number of Shares of the Company in issue was 668,529,000. Subject to the passing of the resolution granting the Proposed Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 66,852,900 Shares, which represents 10 per cent. of the aggregate number of Shares in issue, during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASE

The Directors believe that the ability to repurchase Shares is in the interests of the Company and its Shareholders.

Repurchases may, depending on the circumstances, result in an increase in net assets per share and/or earnings per share. The Directors are seeking the grant of a general mandate to repurchase shares to give the Company the flexibility to do so if and when appropriate. The timing and the number(s), the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

FUNDING OF REPURCHASE

Repurchases must be made out of funds which are legally available for such purpose in accordance with the articles of association of the Company and the laws of Hong Kong. It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Company.

There might be a material adverse effect on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the most recent published annual report of the Company for the financial year ended 31 December 2005) in the event that the proposed share repurchases were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or its gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

GENERAL

To the best of their knowledge, having made all reasonable enquiries, none of the Directors nor any of their associates (as defined in the Listing Rules) currently intend to sell any Shares to the Company or its subsidiaries in the event that the general mandate is granted by Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Proposed Repurchase Mandate pursuant to the proposed resolution in accordance with the Listing Rules and the laws of Hong Kong.

The Company has received no notification from any of the connected persons (as defined in the Listing Rules) of the Company of a present intention to sell Shares to the Company and no such persons have undertaken not to sell any such Shares to the Company in the event that the Proposed Repurchase Mandate is granted.

If, on the exercise of the power to repurchase Shares pursuant to the Proposed Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Code. As a result, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

As at the Latest Practicable Date, C & H Korea held 382,850,000 Shares, representing approximately 57.27% of the issued share capital of the Company. In the event that the Directors should exercise in full the Proposed Repurchase Mandate and the number of shares held by C & H Korea remain unchanged, the shareholding of C & H Korea in the Company will be increased to approximately 63.63% of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Code as a result of any repurchases made under the Proposed Repurchase Mandate. The Directors do not propose to exercise the Proposed Repurchase Mandate to such extent that the public shareholding would be reduced to less than 25% of the issued share capital of the Company.

No purchase has been made by the Company of its Shares in the six months prior to the date of this circular.

SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve calendar months ended 31 March, 2006 were as follows:

Month	Highest trade price HK\$	Lowest trade price HK\$
2005		
April	1.300	1.160
May	1.210	1.050
June	1.100	1.010
July	1.020	0.890
August	0.920	0.750
September	0.800	0.460
October	0.610	0.495
November	0.640	0.470
December	0.810	0.480
2006		
January	0.650	0.510
February	0.620	0.530
March	0.610	0.510
April up to Latest Practicable Date	0.590	0.445

Source: The Stock Exchange of Hong Kong Limited