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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

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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)

**PROPOSED GENERAL MANDATES  
TO ISSUE SHARES AND REPURCHASE SHARES  
AND  
RE-ELECTION OF RETIRING DIRECTORS**

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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 25 May 2007 at 10:30 a.m. is set out in the annual report for the year ended 31 December 2006 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.

26 April 2007

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## DEFINITIONS

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*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 25 May 2007 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”	23 April 2007, 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  
Dr. Chan Yoo

26 April 2007

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES  
TO ISSUE SHARES AND REPURCHASE SHARES  
AND  
RE-ELECTION OF RETIRING DIRECTORS**

**INTRODUCTION**

On 18 April 2007 the Directors of the Company announced the audited consolidated results of the Company for the year ended 31 December 2006. 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 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 25 May 2007.

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## LETTER FROM THE BOARD

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### 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.

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

The biographical information of the retiring directors eligible for re-election at the Annual General Meeting is set out below:

(i) **Mr. Kyoo Yoon Choi**

Mr. Kyoo Yoon Choi, aged 58, is the Chairman and Executive Director of the Company and the founder and the deemed controlling shareholder of the Group. He studied at Seoul National University in Korea between 1968 and 1972 and graduated with a bachelor's degree in engineering. Prior to setting up the Group in Korea in 1984, Mr. Choi had over eight years of experience in the plush toy business at Daewoo Corporation, which was one of the leading conglomerates in Korea at the time. Mr. Choi is responsible for the strategic planning and overall business development of the Group.

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## LETTER FROM THE BOARD

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Mr. Choi was a director of Yujin Robot Co., Ltd. (formerly known as Gina World Co., Ltd.) which is listed on the Korea Securities Dealers Automated Quotation market in South Korea. He had resigned from his directorship in Yujin Robot Co., Ltd. with effect from 24 March 2006. Other than the directorate of the Company and of the member of the Group, Mr. Choi 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. Choi, Mr. Choi was appointed as an executive director of the Company on 26 September 2003 with no specific term of service and is terminable by the Company giving not less than three months written notice or payment in lieu thereof, subject to the retirement and re-election provisions under the Articles of Association. Mr. Choi is entitled to receive director fee of HK\$240,000 per annum and his total annual emoluments 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. As determined by the Board, Mr. Choi's total annual emoluments for the year ended 31 December 2006 was HK\$4,599,000.

Besides Mr. Choi being the brother-in-law of Mrs. Shin Hee Cha, an executive director of the Company, he 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 Practical Date, Mr. Choi was deemed to be interested in 455,000,000 Shares (representing 68.06% of the issued share capital of the Company) through his and his wife's interests in C & H Korea and his interest in Uni-Link Technology Limited. Mr. Choi and his wife, Woul Hee Cha, hold approximately 61.03% of the issued share capital of C & H Korea, which holds 382,850,000 Shares (representing 57.27% of the issued share capital of the Company) and Mr. Choi beneficially owns 100% of the issued share capital of Uni-link Technology Limited, which holds 72,150,000 Shares (representing 10.79% of the issued share capital of the Company).

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 pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

### **(ii) Mr. Tae Sub Choi**

Mr. Tae Sub Choi, aged 52, was appointed as the Director of the Company on 8 April 2003. He is also the Vice-President and the Chief Operation Officer of the Company. Mr. Choi graduated from Seoul National University in Korea with a bachelor degree in German Language and Literature in 1979. Prior to joining the Group in Korea in 1994, Mr. Choi acquired 19 years of profound experience in the area of product development at Daewoo Corporation, which was one of the leading conglomerates in Korea at the time. He first joined the C & H Co., Ltd. in the sales department. Mr. Choi was subsequently promoted and was in-charge of J.Y. Toys Co., Limited in PRC for 2 years and C & H Lanka (PVT) Co., Ltd. in Sri Lanka for 6 years. He is currently the Vice-President and authorized representative of C & H Toys (Suzhou) Co., Ltd. and Jung Yoon Toys (Shanghai) Co., Limited in Suzhou and Shanghai region of PRC.

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## LETTER FROM THE BOARD

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Other than the directorate of the Company, Mr. Choi is also the director of the following members of the Group: J.Y. Toys Co., Ltd., J.Y. International Company Ltd., Jung Yoon Toys (Shanghai) Co., Ltd., C & H Toys (Suzhou) Co., Ltd., C & H Toys (Shuyang) Co., Ltd. and C & H Toys (Mingguang) Co., Ltd. Mr. Choi 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. Choi, Mr. Choi 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 written notice or payment in lieu thereof, subject to the retirement and re-election provisions under the Articles of Association. Mr. Choi is entitled to receive emoluments of US\$174,000 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. As determined by the Board, his total annual emoluments received for the year ended 31 December 2006 was HK\$1,081,428.

Mr. Choi 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. Choi was beneficial owner of 585,000 Shares of the Company and the outstanding share options of 1,365,000 ordinary shares granted on 15 April 2003 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 pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

### **(iii) Dr. Chan Yoo**

Dr. Chan Yoo, aged 42, was appointed as an Independent Non-executive Director, a member of the audit committee and a member of the remuneration committee of the Company on 30 September 2004. Dr. Yoo graduated from Massachusetts Institute of Technology ("MIT"), Cambridge, MA, U.S. with a bachelor degree in Electrical Engineering and Computer Science in 1989. He obtained his master degree in Nuclear Engineering from MIT in 1991. He was conferred his PhD in Nuclear Engineering from MIT in 1995. Dr. Yoo gained over four years consulting experience from an international consultancy firm McKinsey & Company, Inc., Chicago office in U.S. and Seoul office in Korea. In the year 2000, Dr. Yoo set up McQs, incorporated in Seoul, Korea to provide business consulting services for Korean manufacturing companies to achieve world-class operational excellence and has been the Chief Executive Officer of McQs since then. He was appointed as an independent non-executive director and a member of the audit committee of the Company with effect from 30 September 2004.

Other than the positions of Independent Non-executive Director, audit committee member and remuneration committee member of the Company, Dr. Yoo does not hold any position with the Company or any member of the Group. In addition, Dr. Yoo has not held any other directorships in listed public companies in the last three years.

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## LETTER FROM THE BOARD

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Pursuant to the letter of engagement issued by the Company to Dr. Yoo, his service contract has been renewed for a term of two years commencing from 30 September 2006, subject to the retirement and re-election provisions under the Articles of Association of the Company. Dr. Yoo 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. Save for the abovementioned emoluments, Dr. Yoo do not receive any other emoluments from the Group.

Dr. Yoo 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, Dr. Yoo 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 pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Listing Rules.

### 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 2006 of the Company which will be despatched to the members on or before 28 April 2007. 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.

### RECOMMENDATION

The Directors consider that the proposed ordinary resolutions for the granting to the Directors of the general mandate to issue shares 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 the relevant 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

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## LETTER FROM THE BOARD

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- (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 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 2006) 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 preceding the Latest Practicable Date were as follows:

<b>Month</b>	<b>Highest trade price HK\$</b>	<b>Lowest trade price HK\$</b>
<b>2006</b>		
April	0.590	0.400
May	0.430	0.370
June	0.390	0.340
July	0.360	0.270
August	0.335	0.260
September	0.300	0.220
October	0.330	0.265
November	0.330	0.260
December	0.280	0.240
<b>2007</b>		
January	0.270	0.237
February	0.390	0.260
March	0.315	0.280
April up to Latest Practicable Date	0.360	0.270

*Source: The Stock Exchange of Hong Kong Limited*