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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)

CONTINUING CONNECTED TRANSACTION

The Directors announce that on 31 October 2006, Dream INKO, a wholly owned subsidiary of the Company, entered into the Property Lease Agreement (the “PLA”) to renew the Previous Property Lease Agreement (the “PPLA”) with C&H Korea, a connected person of the Company within the meaning of the Listing Rules, for the leasing of the Premises owned by C&H Korea. Dream INKO has been occupying the Premises as office owned by C&H Korea since 18 July 2003. The terms of the PLA were substantially the same as those of the PPLA and were agreed after arm’s length negotiation by reference to enquiries made with other landlords, tenants and real estates agents in the proximity area. The total rental payment was decreased by 41.8% when compared to that of last year to reflect the corresponding reduced leased area after the restructuring of Dream INKO’s operation in current year.

As C&H Korea is the substantial shareholder of the Company, the PLA constitutes a continuing connected transaction of the Company under the Listing Rules. Since the total rental payable in respect of the PLA represents more than 0.1% but less than 2.5% of the applicable percentage ratios in respect of the Company, the entering into the PLA is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and annual review requirements and is exempt from the independent shareholders’ approval requirements.

On 31 October 2006, Dream INKO, a wholly owned subsidiary of the Company, entered into the PLA described below with C&H Korea.

A. THE PROPERTY LEASE AGREEMENT

Certain terms of the PLA is summarized below:–

Property Lease Agreement

Date: 31 October 2006

Parties: (i) C&H Korea as landlord
(ii) Dream INKO as tenant

Premises:	Floors 9th, 10th , B1 and parts of floors 8th, B2 and B3 of C&H Building, 154-8, Samsung-dong, Kangnam-Gu, Seoul, Korea used as business office of Dream INKO (total gross floor area of 2,746 m ²)
Term:	From 1 August 2006 to 31 July 2007 (both dates inclusive)
Rental:	Korean Won 46,271,100 per month (approximately equivalent to HK\$379,423 per month) including building management fees payable in cash to the landlord on or before the last day of each month
Annual and Total rental:	Korean Won 555,253,200 (approximately equivalent to HK\$4,553,076)

B. REASONS FOR THE CONTINUING CONNECTED TRANSACTION

Dream INKO, which was the previous plush toys business arm of C&H Korea, has been occupying the Premises owned by C&H Korea before and after its acquisition by the Group on 18 July 2003. In order to avoid unnecessary moving cost and business interruption, the Board considered it most favourable for Dream INKO to retain the existing Premises and to renew the PPLA. The total rental payable under the PLA for total gross floor area of 2,746 m² will be Korean Won 555,253,200 (approximately equivalent to HK\$4,553,076) for the year from 1 August 2006 to 31 July 2007. The total rental payment according to PPLA for total gross floor area of 4,626 m² amounted to Korean Won 953,332,800 (approximately equivalent to HK\$7,149,996) for the year from 1 August 2005 to 31 July 2006. The terms of the PLA were on terms substantially the same as those of the PPLA and total rental payment was decreased by 41.8% when compared to that of last year to reflect the corresponding reduced leased area after the restructuring of Dream INKO's operation in current year. The terms of the PLA were agreed after arm's length negotiation by reference to enquiries made with other landlords, tenants and real estates agents in the proximity area. The PLA will be subject to renewal upon its expiry and the Company will ensure compliance with the Listing Rules requirements upon renewal of the PLA.

The Directors (including the independent non-executive Directors) consider that the PLA is made on normal commercial terms and on terms no less favourable to the Group than those available from independent third parties, the terms are fair and reasonable and in the ordinary and usual course of business of the Group and are in the interests of the Group and the shareholders of the Company as a whole.

C. GENERAL

The Company is an 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 was the previous plush toys business arm of C&H Korea. It became the wholly owned subsidiary of the Group since 18 July 2003. Since then, it has been continuing to specialize in design, development and trading of the plush toys business of the Group.

C&H Korea was incorporated in the Republic of Korea with businesses comprising holding of commercial building in Seoul, leather goods and accessory agency, fabric and textiles manufacturing and investment holdings.

D. CONTINUING CONNECTED TRANSACTION

As C&H Korea is the substantial shareholder of the Company, the PLA constitutes a continuing connected transaction of the Company under the Listing Rules. Since the total rental payable in respect of the PLA represents more than 0.1% but less than 2.5% of the applicable percentage ratios in respect of the Company, the entering into the PLA is only subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and annual review requirements and is exempt from the independent shareholders' approval requirements.

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
“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 the 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 0.0082 HK\$.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“PPLA”	Previous Property Lease Agreement for total gross floor area of 4,626 m ² dated 26 October 2005 entered into between C&H Korea and Dream INKO in respect of the Premises, which expired on 31 July 2006

- “PLA” Property Lease Agreement for total gross floor area of 2,746 m² dated 31 October 2006 entered into between C&H Korea and Dream INKO in respect of the Premises
- “Premises” the subject matter of the PLA is composed of floors 9th, 10th, B1 and parts of floors 8th, B2 and B3 of C&H Building, 154-8, Samsung-dong, Kangnam-Gu, Seoul, Korea
- “Stock Exchange” The Stock Exchange of Hong Kong Limited

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

1 November 2006, Hong Kong

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
Mr. Cheong Heon Yi
Dr. Chan Yoo

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