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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF INTEREST IN A SUBSIDIARY

The Board announces that on 9 May 2014 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Company for a consideration of RMB47,500,000 (equivalent to approximately HK\$59,090,000).

The Target Company is a company incorporated in the PRC with limited liability. The Vendor holds 100% of the entire issued share capital of the Target Company. The principal business of the Target Company is manufacturing of ride-on toys.

As the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements under the Listing Rules.

INTRODUCTION

The Board announces that on 9 May 2014 (after trading hours), the Vendor, a non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which, the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Company for a consideration of RMB47,500,000 (equivalent to approximately HK\$59,090,000). Details of the Equity Transfer Agreement are set out below.

EQUITY TRANSFER AGREEMENT

Date

9 May 2014

Parties

- (i) C&H HK Corp., Limited, a non-wholly owned subsidiary of the Company, as vendor
- (ii) Cai Hui, an independent individual, as purchaser

As at the date of this announcement, based on the information and confirmation provided by the Purchaser and to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser is a third party independent of and not connected with the Company and its connected persons.

The Disposal

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Company.

Consideration

Pursuant to the Equity Transfer Agreement, the consideration of RMB47,500,000 (equivalent to approximately HK\$59,090,000) shall be payable in cash by the Purchaser to the Vendor, in the following manner:

- (i) 15% of the consideration in the amount of RMB7,125,000 (equivalent to approximately HK\$8,863,500) shall be paid within 10 business days, after the day of signing of the Equity Transfer Agreement;
- (ii) 50% of the consideration in the amount of RMB23,750,000 (equivalent to approximately HK\$29,545,000) shall be satisfied within 7 business days, after the day of completion of change of the business registration (estimated to be completed before 31 December 2014). The sum of RMB23,750,000 (equivalent to approximately HK\$29,545,000) shall be provided to the Vendor by the Purchaser in the form of bank guarantee one month before handling the change of the certificate of approval and the change of the business license of the Target Company; and
- (iii) remaining 35% of the consideration in the amount of RMB16,625,000 (equivalent to approximately HK\$20,681,500) shall be payable on the day of transfer of the Target Company's buildings, land and its affiliated facilities (estimated to be completed before 28 February 2015).

The consideration was determined after arm's length negotiation between the Vendor and the Purchaser having regard to the market value of the land and building of RMB46,000,000 as of 31 December 2013 held by the Target Company in Suzhou, the PRC.

Completion

Completion of the Disposal shall take place on the day of the completion of change of the business registration. The legal title of the Target Company will be transferred to the Purchaser only at the day of completion.

Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability. The Vendor holds 100% of the entire issued share capital of the Target Company. The principal business of the Target Company is manufacturing of ride-on toys.

Set out below is the financial information of the Target Company for the two years ended 31 December 2013 and 31 December 2012:

	Year ended 31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Turnover	45,745	54,897
Net loss before taxation	22,072	21,058
Net loss after taxation	22,072	24,763

The unaudited net asset value of the Target Company was approximately HK\$16,342,000 as at 31 March 2014.

REASON FOR AND BENEFITS OF THE DISPOSAL

The Company considers the Disposal to be a good opportunity for the Company to realise its property investment in the Target Company and can provide capital and resources for the operation and development of the Group. The net proceeds from the Disposal are expected to be approximately HK\$59,090,000 and the Directors intend to apply the net proceeds as general working capital of the Group and for the new facilities of ride-on toys business in Vietnam.

Having regard to the nature of and the benefits resulting from the Disposal, the Directors are of the view that the terms of the Equity Transfer Agreement are entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

It is estimated that, as a result of the Disposal, the Company will recognise an estimated gain of approximately RMB26,200,000 (equivalent to approximately HK\$32,593,000) being the consideration less the unaudited net asset value of the Target Company on the day of completion of the Disposal. The amount of the actual gain arising from the Disposal will be determined by the actual net asset value of the Target Company upon completion of the Disposal, and therefore may be different from the estimated amount mentioned above.

Following the completion of the Disposal, the Target Company will cease to be a subsidiary of the Company. The financial results of the Target Company will no longer be consolidated into the accounts of the Company after the completion of the Disposal.

LISTING RULES IMPLICATION OF THE DISPOSAL

As the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements under the Listing Rules.

INFORMATION ON THE GROUP

The principal business of the Group is the design, development, manufacture and sale of plush stuffed toys, ride-on toys and plastic figures.

DEFINITIONS

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

“Board”	the board of Directors
“business day(s)”	day(s) (excluding Saturday, Sunday and PRC official public holidays)
“Company”	Dream International Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“Disposal”	the disposal of the entire issued share capital of the Target Company in accordance with the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 9 May 2014 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Purchaser”	Cai Hui, an independent individual, being the purchaser under the Equity Transfer Agreement
“RMB”	Renminbi Yuan, the lawful currency of the PRC

“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	the ordinary shares in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	J.Y. Plasteel (Suzhou) Co., Ltd (正潤童車(蘇州)有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Vendor
“Vendor”	C&H HK Corp., Limited, a company incorporated in Hong Kong with limited liability and a non-wholly owned subsidiary of the Company, being the vendor under the Equity Transfer Agreement
“%”	per cent

The exchange rate adopted in this announcement for reference only is RMB1.0 to HK\$1.244.

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

Hong Kong, 9 May 2014

The Board 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 Chuan Yung Wang
Mr. Hyun Ho Kim

Independent non-executive Directors:

Professor Cheong Heon Yi
Professor Byong Hun Ahn
Mr. Tae Woong Kang