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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)

UPDATE ON TRANSACTION IN RELATION TO THE DISPOSAL OF INTEREST IN A SUBSIDIARY AND DISCLOSEABLE TRANSACTION DISPOSAL OF PROPERTY

References are made to the announcements of the Company dated 9 May 2014 and 11 June 2014 in relation to the disposal of the entire issued share capital of the Subsidiary in accordance with the terms of the Equity Transfer Agreement.

On 18 June 2014, the Former Vendor agreed that the Former Purchaser has no entitlement to the rights in relation to all the transactions contemplated under the Equity Transfer Agreement as the Former Purchaser was not be able to pay the consideration of RMB47,500,000 (equivalent to approximately HK\$59,375,000) to the Former Vendor according to the payment schedule. The Equity Transfer Agreement has been lapsed on 9 July 2014.

The Board announces that on 9 July 2014 (after trading hours), the Subsidiary, a non-wholly owned subsidiary of the Company, entered into the Asset Transfer Agreement with the Purchaser, pursuant to which, the Subsidiary agreed to sell and the Purchaser agreed to purchase the Property for a consideration of RMB58,000,000 (equivalent to approximately HK\$72,500,000).

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

INTRODUCTION

References are made to the announcements of the Company dated 9 May 2014 and 11 June 2014 in relation to the disposal of the entire issued share capital of the Subsidiary in accordance with the terms of the Equity Transfer Agreement.

On 18 June 2014, the Former Vendor agreed that the Former Purchaser has no entitlement to the rights in relation to all the transactions contemplated under the Equity Transfer Agreement as the Former Purchaser was not be able to pay the consideration of RMB47,500,000 (equivalent to approximately HK\$59,375,000) to the Former Vendor according to the payment schedule. The Equity Transfer Agreement has been lapsed on 9 July 2014.

The Board announces that on 9 July 2014 (after trading hours), the Subsidiary, a non-wholly owned subsidiary of the Company, entered into the Asset Transfer Agreement with the Purchaser, pursuant to which, the Subsidiary agreed to sell and the Purchaser agreed to purchase the Property for a consideration of RMB58,000,000 (equivalent to approximately HK\$72,500,000).

Details of the Asset Transfer Agreement are set out below.

ASSET TRANSFER AGREEMENT

Date

9 July 2014

Parties

- (i) J.Y. Plasteel (Suzhou) Co., Ltd (正潤童車(蘇州)有限公司), a non-wholly owned subsidiary of the Company, as vendor
- (ii) 太倉中德中小企業示範區有限公司, a local authority of the PRC government in Jiangsu province, 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 government entity belonging to the PRC government responsible for the real properties transactions of Taicang City, Jiangsu province, PRC and an Independent Third Party.

The Asset Disposal

Pursuant to the Asset Transfer Agreement, the Subsidiary agreed to sell and the Purchaser agreed to purchase the Property.

Consideration

Pursuant to the Asset Transfer Agreement, the consideration of RMB58,000,000 (equivalent to approximately HK\$72,500,000) shall be payable in cash by the Purchaser to the Subsidiary, in the following manner:

- (i) 20% of the consideration in the amount of RMB11,600,000 (equivalent to approximately HK\$14,500,000) shall be paid within 15 business days, after the day of signing of the Asset Transfer Agreement;
- (ii) 50% of the consideration in the amount of RMB29,000,000 (equivalent to approximately HK\$36,250,000) shall be paid within 15 business days, after Taicang City Real Estate Trading Center (太倉市房地產交易中心) accepted the documents in relation to the transfer of the Property;
- (iii) 20% of the consideration in the amount of RMB11,600,000 (equivalent to approximately HK\$14,500,000) shall be payable within 15 business days, after the completion of transfer formalities of the Property; and
- (iv) remaining 10% of the consideration in the amount of RMB5,800,000 (equivalent to approximately HK\$7,250,000) shall be payable within 15 business days, after the completion of transfer of the Property on 30 September 2014.

The consideration was determined after arm's length negotiation between the Subsidiary and the Purchaser having regard to the fair market value of the Property based on the valuation of RMB51,240,000 (equivalent to approximately HK\$64,050,000) made by a PRC valuer, which is an Independent Third Party and appointed by the Subsidiary, as at 1 July 2014 for the building and land use right, comprising in the Property.

The Directors are of the view that the consideration of the Asset Disposal is fair and reasonable and in the interests of the Shareholders as a whole.

Completion

Completion of the Asset Disposal shall take place upon completion of transfer of the Property on 30 September 2014.

If the Subsidiary is not able to vacate the Property on 30 September 2014, the Purchaser agreed to enter into a separate lease agreement with the Subsidiary and rent the Property to the Subsidiary for a period from 1 October 2014 to 31 January 2015.

INFORMATION ON THE PROPERTY

The Property comprising a land use right of approximately 46,400 square meters and certain buildings with total area of approximately 30,700 square meters is situated at Chansi Road, Economic Development Zone, Taicang City, Jiangsu Province, PRC and is owned by the Subsidiary. The Property is for industrial use. According to the valuation report, the appraisal value of the Property was RMB51,240,000 (equivalent to approximately HK\$64,050,000) as at 1 July 2014.

REASON FOR AND BENEFITS OF THE ASSET DISPOSAL

The Company considers the Asset Disposal to be a good opportunity for the Company to realise its property investment in the Subsidiary and can provide capital and resources for the operation and development of the Group.

As at 30 June 2014, the value of the Property based on its net book value was approximately RMB22,819,000 (equivalent to approximately HK\$28,524,000). Based on the difference between estimated net proceeds of approximately RMB49,100,000 (equivalent to approximately HK\$61,375,000) and carrying value of the Property being RMB22,819,000 (equivalent to approximately HK\$28,524,000), the gain from the Asset Disposal is expected to be approximately RMB26,281,000 (equivalent to approximately HK\$32,851,000). The Directors intend to apply the 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 Asset Disposal, the Directors are of the view that the terms of the Asset 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 ASSET DISPOSAL

Upon completion of the Asset Disposal, there will be an estimated gain to the Group and an estimated increase in net asset value of the Group of approximately HK\$32,851,000 being the net proceeds less the net asset value of the Property on the day of completion of the Asset Disposal. The amount of the then actual gain arising from the Asset Disposal will be determined by the actual transaction costs and actual net asset value of the Property upon completion of the Asset Disposal, and therefore may be different from the estimated amount mentioned above.

Following the completion of the Asset Disposal, the financial results of the Subsidiary will continue to be consolidated into the accounts of the Company.

LISTING RULES IMPLICATION OF THE ASSET DISPOSAL

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

“Asset Disposal”	the disposal of the Property by the Subsidiary in accordance with the terms of the Asset Transfer Agreement
“Asset Transfer Agreement”	the asset transfer agreement dated 9 July 2014 entered into between the Subsidiary and the Purchaser in relation to the Asset Disposal
“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 Subsidiary 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 Former Vendor and the Former Purchaser in relation to the Disposal
“Former Purchaser”	Cai Hui, an independent individual, being the purchaser under the Equity Transfer Agreement
“Former 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
“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
“Independent Third Party”	a third party independent of and not connected with the Company and its connected persons

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Property”	the property comprising a land use right of approximately 46,400 square meters and certain buildings with total area of approximately 30,700 square meters is situated at Chansi Road, Economic Development Zone, Taicang City, Jiangsu Province, PRC owned by the Subsidiary
“Purchaser”	太倉中德中小企業示範區有限公司, a local authority of the PRC government in Jiangsu province, being the purchaser under the Asset 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
“Subsidiary”	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 Former Vendor, being the vendor under the Asset Transfer Agreement
“%”	per cent

The exchange rate adopted in this announcement for reference only is RMB1.0 to HK\$1.25.

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

Hong Kong, 11 July 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