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DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

CONNECTED TRANSACTIONS ACQUISITION OF TARPAULIN BUSINESS

Reference is made to the announcement of the Company dated 13 September 2019 regarding the MOU in respect of the Proposed Acquisition.

The Board announces that after trading hours on 29 November 2019, the Company entered into (i) the Share Transfer Agreement with the Vendors; and (ii) the Capital Contribution Transfer Agreement with C & H.

Pursuant to the Share Transfer Agreement, the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of C & H Vina at a consideration of US\$11,000,000 (equivalent to approximately HK\$86,130,000).

Pursuant to the Capital Contribution Transfer Agreement, the Company has conditionally agreed to acquire and C & H has conditionally agreed to sell the entire issued share capital of C & H Tarps at a consideration of US\$5,000,000 (equivalent to approximately HK\$39,150,000).

Mr. Kyoo Yoon Choi, the Chairman, Executive Director, Chief Executive Officer and the controlling shareholder of the Company, together with his wife, Ms. Woul Hee Cha, hold approximately 61.95% of the issued share capital of C & H. According to the Listing Rules, C & H is an associate of Mr. Kyoo Yoon Choi and thus a connected person of the Company. The transactions contemplated under the Share Transfer Agreement and the Capital Contribution Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the Share Transfer Agreement and the Capital Contribution Transfer Agreement were entered into on the same date with C & H as one of the Vendors and vendor respectively, the Acquisitions are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions. Upon aggregation, the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in aggregate in respect of the transactions contemplated under the Share Transfer Agreement and the Capital Contribution Transfer Agreement are less than 5%, the transactions are subject to the reporting and announcement requirements but exempted from circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 13 September 2019 regarding the MOU in respect of the Proposed Acquisition.

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Pursuant to the Capital Contribution Transfer Agreement, the Company has conditionally agreed to acquire and C & H have conditionally agreed to sell the entire issued share capital of C & H Tarps at a consideration of US\$5,000,000 (equivalent to approximately HK\$39,150,000).

SHARE TRANSFER AGREEMENT

The principle terms of the Share Transfer Agreement are set out below:

Date

29 November 2019

Parties

Purchaser: The Company

Vendors: C & H, Mr. Tae Sub Choi and Mr. Jae Dong Shin

Target company: C & H Vina

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Tae Sub Choi and Mr. Jae Dong Shin are third party independent of and not connected with the Company and its connected persons.

C & H is an associate of Mr. Kyoo Yoon Choi and thus a connected person of the Company under the Listing Rules. The principal business activities of the C & H Group are property investment in Seoul, Korea, leather goods and accessories agency, garments, fabrics and textiles manufacturing and investment holding in Vietnam.

Subject matter

Pursuant to the Share Transfer Agreement, the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of C & H Vina at a consideration of US\$11,000,000 (equivalent to approximately HK\$86,130,000).

Consideration

The consideration is US\$11,000,000 (equivalent to approximately HK\$86,130,000), which will be financed by internal resources of the Company and unsecured revolving bank loans and payable by the Company in cash in the following manner:

1. 1st installment: US\$2,000,000 (equivalent to approximately HK\$15,660,000) shall be paid to the Vendors within five business days from the effective date of the Share Transfer Agreement, i.e. 29 November 2019.
2. 2nd installment: US\$9,000,000 (equivalent to approximately HK\$70,470,000) shall be paid to the Vendors within twenty business days from the payment date of the 1st installment or on 27 December 2019, whichever is earlier.

The consideration of US\$11,000,000 (equivalent to approximately HK\$86,130,000) was determined by the Company and the Vendors after arm's length negotiations with reference to, among other things, the valuation of C & H Vina as at 31 December 2018, which ranges from approximately US\$10,700,000 (equivalent to approximately HK\$83,781,000) to approximately US\$12,800,000 (equivalent to approximately HK\$100,224,000), as indicated by an independent professional valuer in Vietnam, and the reasons as mentioned in the section headed "REASONS FOR THE ACQUISITIONS" in this announcement.

Conditions precedent

The major conditions precedent under the Share Transfer Agreement include (i) obtaining all necessary regulatory approvals and completion of relevant filings or registrations with the relevant authorities in Vietnam; and (ii) each of the representations and warranties given by the Company and the Vendors under the Share Transfer Agreement shall be true, accurate and not misleading in all respects. Such conditions precedent cannot be waived.

Validity and termination

The Share Transfer Agreement shall be in full force and effect from the effective date of 29 November 2019 and shall terminate in the following cases, provided that termination shall only be permitted prior to the completion of sale and purchase of the entire issued share capital of C & H Vina:

1. By either party if the conditions precedent are not satisfied within three months from the effective date of the Share Transfer Agreement, i.e 29 November 2019; or
2. The parties agree in writing to terminate the Share Transfer Agreement prior to its expiry, i.e. 31 December 2019; or
3. If a party breaches the Share Transfer Agreement, the other party shall give a notice in writing to cure such default or breach; and terminate the Share Transfer Agreement by issuing termination letters if the breaching party cannot cure such default or breach within thirty days from the date receive that notice.

Unless otherwise agreed, upon the termination of the Share Transfer Agreement, the parties shall liquidate the Share Transfer Agreement in accordance with the provisions of law on basis of protection of mutual interest and right of the parties. Neither party shall have any claim against the other under it save for any antecedent breach of the Share Transfer Agreement.

Termination of the Share Transfer Agreement for any reason shall not release any party from any liability which at the time of termination has already accrued to the other party or which thereafter may accrue in respect of any act or omission prior to such termination.

Completion

Completion shall be no later than three business days from the date on which the Company confirms its satisfaction to the conditions set out in the Share Transfer Agreement.

Upon completion, C & H Vina will become wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group. All continuing connected transactions of the Group with C & H Vina, if any, will be eliminated.

CAPITAL CONTRIBUTION TRANSFER AGREEMENT

The principle terms of the Capital Contribution Transfer Agreement are set out below:

Date

29 November 2019

Parties

Purchaser: The Company

Vendor: C & H

Target company: C & H Tarps

Subject matter

Pursuant to the Capital Contribution Transfer Agreement, the Company has conditionally agreed to acquire and C & H has conditionally agreed to sell the entire issued share capital of C & H Tarps at a consideration of US\$5,000,000 (equivalent to approximately HK\$39,150,000).

Consideration

The consideration is US\$5,000,000 (equivalent to approximately HK\$39,150,000), which will be financed by internal resources of the Company and unsecured revolving bank loans and payable by the Company in cash in the following manner:

1. 1st installment: US\$1,000,000 (equivalent to approximately HK\$7,830,000) shall be paid to C & H within five business days from the effective date of the Capital Contribution Transfer Agreement, i.e. 29 November 2019.
2. 2nd installment: US\$4,000,000 (equivalent to approximately HK\$31,320,000) shall be paid to C & H within twenty business days from the payment date of the 1st installment or on 27 December 2019, whichever is earlier.

The consideration of US\$5,000,000 (equivalent to approximately HK\$39,150,000) was determined by the Company and C & H after arm's length negotiations with reference to, among other things, the valuation of C & H Tarps as at 31 December 2018, which ranges from approximately US\$5,010,000 (equivalent to approximately HK\$39,228,000) to approximately US\$5,470,000 (equivalent to approximately HK\$42,830,000), as indicated by an independent professional valuer in Vietnam and the reasons as mentioned in the section headed "REASONS FOR THE ACQUISITIONS" in this announcement.

Conditions precedent

The major conditions precedent under the Capital Contribution Transfer Agreement include (i) obtaining all necessary regulatory approvals and completion of relevant filings or registrations with the relevant authorities in Vietnam; and (ii) each of the representations and warranties given by the Company and the C & H under the Capital Contribution Transfer Agreement shall be true, accurate and not misleading in all respects. Such conditions precedent cannot be waived.

Validity and termination

The Capital Contribution Transfer Agreement shall be in full force and effect from the effective date of 29 November 2019 and shall terminate in the following cases, provided that termination shall only be permitted prior to the completion of sale and purchase of the entire issued share capital of C & H Tarps:

1. By either party if the conditions precedent are not satisfied by within three months from the effective date of the Capital Contribution Transfer Agreement, i.e. 29 November 2019; or
2. The parties agree in writing to terminate the Capital Contribution Transfer Agreement prior to its expiry, i.e. 31 December 2019; or
3. If a party breaches the Capital Contribution Transfer Agreement, the other party shall give a notice in writing to cure such default or breach; and terminate the Capital Contribution Transfer Agreement by issuing termination letters if the breaching party cannot cure such default or breach within thirty days from the date receive that notice.

Unless otherwise agreed, upon the termination of the Capital Contribution Transfer Agreement, the parties shall liquidate the Capital Contribution Transfer Agreement in accordance with the provisions of law on basis of protection of mutual interest and right of the parties. Neither party shall have any claim against the other under it save for any antecedent breach of the Capital Contribution Transfer Agreement.

Termination of the Capital Contribution Transfer Agreement for any reason shall not release any party from any liability which at the time of termination has already accrued to the other party or which thereafter may accrue in respect of any act or omission prior to such termination.

Completion

Completion shall be no later than three business days from the date on which the Company confirms its satisfaction to the conditions set out in the Capital Contribution Transfer Agreement.

Upon completion, C & H Tarps will become wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group. All continuing connected transactions of the Group with C & H Tarps, if any, will be eliminated.

INFORMATION OF THE TARGET COMPANIES

C & H Vina

C & H Vina, incorporated in Vietnam with limited liability, is principally engaged in the manufacture and sales of tarpaulin. C & H Vina has issued share capital of VND46,480,000,000. In particular, C & H holds 99.8% of the share capital of C & H Vina; Mr. Tae Sub Choi holds 0.1% of the share capital of C & H Vina; and Mr. Jae Dong Shin holds 0.1% of the share capital of C & H Vina. Mr. Tae Sub Choi and Mr. Jae Dong Shin are the president and managing director of C & H Vina respectively.

Set forth below is the audited financial information of the C & H Vina for the two years ended 31 December 2018:

	2017		2018	
	US\$'000	HK\$'000	US\$'000	HK\$'000
Revenue	<u>38,453</u>	<u>301,087</u>	<u>46,596</u>	<u>364,847</u>
Profit before taxation	2,030	15,895	1,356	10,617
Income tax	<u>(444)</u>	<u>(3,477)</u>	<u>(281)</u>	<u>(2,200)</u>
Profit after taxation	<u>1,586</u>	<u>12,418</u>	<u>1,075</u>	<u>8,417</u>

The unaudited net assets of C & H Vina as at 30 June 2019 was approximately US\$10,350,000 (equivalent to approximately HK\$81,041,000).

C & H Tarps

C & H Tarps, incorporated in Vietnam with limited liability, is principally engaged in the manufacture and sales of tarpaulin. C & H Tarps is a wholly-owned subsidiary of C & H with issued share capital of VND67,908,000,000.

Set forth below is the audited financial information of the C & H Tarps for the two years ended 31 December 2018:

	2017		2018	
	VND'000	HK\$'000	VND'000	HK\$'000
Revenue	<u>63,949,000</u>	<u>21,551</u>	<u>71,335,000</u>	<u>24,040</u>
Profit before taxation	20,710,000	6,979	21,615,000	7,284
Income tax	<u>(4,165,000)</u>	<u>(1,404)</u>	<u>(4,334,000)</u>	<u>(1,461)</u>
Profit after taxation	<u>16,545,000</u>	<u>5,575</u>	<u>17,281,000</u>	<u>5,823</u>

The unaudited net assets C & H Tarps as at 30 June 2019 was approximately VND62,004,000,000 (equivalent to approximately HK\$21,895,000).

REASONS FOR THE ACQUISITIONS

As disclosed in the Company's interim report for the six months ended 30 June 2019, the Group will consider investment opportunities for acquisition of suitable companies with growth potential to boost revenue and profit. Having considered the increasing volatility of global economy, in particular the uncertainty brought by the US-China trade war, and the recent performance of the Target Companies operating in Vietnam, the Group is of the view that the Acquisitions provide an attractive investment opportunity which will accelerate the growth of the Group's revenue and profit.

Moreover, the Group has been providing processing services to C & H Vina, which constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Upon completion of the Acquisition, each of C & H Vina and C & H Tarps will become a subsidiary of the Company and the provision of processing services to C & H Vina will cease to be continuing connected transactions of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Share Transfer Agreement and the Capital Contribution Transfer Agreement are entered into on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Kyoo Yoon Choi, the Chairman, Executive Director, Chief Executive Officer and the controlling shareholder of the Company, together with his wife, Ms. Woul Hee Cha, hold approximately 61.95% of the issued share capital of C & H. According to the Listing Rules, C & H is an associate of Mr. Kyoo Yoon Choi and thus a connected person of the Company. The transactions contemplated under the Share Transfer Agreement and the Capital Contribution Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the Share Transfer Agreement and the Capital Contribution Transfer Agreement were entered into on the same date with C & H as one of the Vendors and vendor respectively under the Share Transfer Agreement and the Capital Contribution Transfer Agreement, the Acquisitions are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions. Upon aggregation, the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in aggregate in respect of the transactions contemplated under the Share Transfer Agreement and the Capital Contribution Transfer Agreement are less than 5%, the transactions are subject to the reporting and announcement requirements but exempted from circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Except for Mr. Kyoo Yoon Choi, who is also a director of C & H, none of the Directors have any material interest in the transactions. Mr. Kyoo Yoon Choi has abstained from voting on the Board resolution(s) approving the Share Transfer Agreement and the Capital Contribution Transfer Agreement.

INFORMATION ON THE GROUP

The principal business of the Group is the design, development, manufacture and sale of plush stuffed toys, plastic figures, die-casting products and investment holding.

DEFINITIONS

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

“Acquisitions”	the acquisitions of the entire issued share capital of the Target Companies by the Company from the Vendors
“associate(s)”, “connected person(s)” and “controlling shareholder”	have the meanings ascribed to them in the Listing Rules
“Board”	the board of Directors of the Company
“C & H”	C & H Co., Ltd., a limited liability company incorporated in the Republic of Korea, of which approximately 61.95% of the issued share capital were held by Mr. Kyoo Yoon Choi and his wife, being one of the Vendors under the Share Transfer Agreement and the vendor under the Capital Contribution Transfer Agreement
“C & H Group”	C & H and its subsidiaries
“C & H Tarps”	C & H Tarps Co., Ltd., a company incorporated in Vietnam with limited liability and a wholly-owned subsidiary of C & H, being the target company under the Capital Contribution Transfer Agreement
“C & H Vina”	C & H Vina Joint Stock Company (formerly known as C & H Vina Co., Ltd.), a company incorporated in Vietnam with limited liability and a 99.8% owned subsidiary of C & H, being the target company under the Share Transfer Agreement. It is owned as to 0.1% by each of Mr. Tae Sub Choi and Mr. Jae Dong Shin
“Capital Contribution Transfer Agreement”	the capital contribution transfer agreement entered into by the Company and C & H in relation to the acquisition of the entire issued share capital of C & H Tarps on 29 November 2019

“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, being the purchaser under the Share Transfer Agreement and the Capital Contribution Transfer Agreement
“Director(s)”	the director(s) of the Company
“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 People’s Republic of China
“Independent Shareholders”	Shareholders other than Mr. Kyoo Yoon Choi and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding entered into by the Company and the Vendors in relation to the Proposed Acquisition on 13 September 2019
“Proposed Acquisition”	the proposed acquisition of the entire issued share capital of the Target Companies by the Company from the Vendors
“Share Transfer Agreement”	the share transfer agreement entered into by the Company and the Vendors in relation to the acquisition of the entire issued share capital of C & H Vina on 29 November 2019
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	C & H Vina and C & H Tarps
“US\$”	US dollars, the lawful currency of United States
“Vendors”	C & H, Mr. Tae Sub Choi and Mr. Jae Dong Shin

“Vietnam”	Socialist Republic of Vietnam
“VND”	Vietnamese Dong, the lawful currency of Vietnam
“%”	per cent

The exchange rates adopted in this announcement for reference only are HK\$7.83 to US\$1 and HK\$0.000337 to VND1.

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

Hong Kong, 29 November 2019

The Directors as at the date of this announcement are as follows:

Executive Directors:

Mr. Kyoo Yoon Choi (*Chairman*)

Mr. Young M. Lee

Mr. Hyun Ho Kim

Mr. Sung Sick Kim

Independent non-executive Directors:

Professor Cheong Heon Yi

Mr. Tae Woong Kang

Dr. Chan Yoo