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DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

3RD SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONNECTED TRANSACTIONS IN RESPECT OF ACQUISITION OF TARPAULIN BUSINESS

INTRODUCTION

Reference is made to the announcement of Dream International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 29 November 2019 (the “**Announcement**”), the supplemental and clarification announcement dated 10 December 2019 (the “**First Supplemental Announcement**”) and the 2nd supplemental announcement dated 17 December 2019 (the “**Second Supplemental Announcement**”) in relation to the discloseable and connected transactions in respect of acquisition of tarpaulin business. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement, the First Supplemental Announcement and the Second Supplemental Announcement unless otherwise defined herein.

VALUATION

As stated in the First Supplemental Announcement, (i) the consideration for the acquisition of the entire share capital of C & H Vina pursuant to the Share Transfer Agreement; and (ii) the consideration for the acquisition of the entire share capital of C & H Tarps pursuant to the Capital Contribution Transfer Agreement, were both determined with reference to the historical rate of return on investments and the pay-back period analysis while taking into consideration the Valuation prepared by PwC (Vietnam) Limited (“**PwC**”), the valuation method adopted in which constitutes a Profit Forecast.

Valuation of C & H Vina

Pursuant to Rule 14A.68(7) of the Listing Rules, the Valuation contained in the valuation report issued by PwC in relation to C & H Vina has been prepared on the following principal basis and assumptions, including commercial assumptions:

General Assumptions

1. The legally interested party in the entire equity interest in C & H Vina (the “**C & H Vina Asset**”) has free and uninterrupted rights to assign the C & H Vina Asset (a part of or the whole of) for the whole of the unexpired terms as granted under the relevant approvals and any premiums/administrative costs payable have already been fully paid.
2. C & H Vina fully complies with all applicable regulations and laws. All the required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can be obtained or renewed on which the valuation is based.
3. C & H Vina will continue with its current operations on a stand-alone basis, as a going concern, under the same management on an “as-is-where-is” basis.
4. Valuations are reliable insofar as the forecasts and projections as well as other information provided by the management of C & H Vina are reliable.
5. There will be no significant changes in the present legislation, government regulations, inflation rates, foreign currency exchange, the bases and rates of taxation and other lending guidelines which will affect the activities of C & H Vina or the markets in which it operates.
6. There will be no significant changes in the current market conditions and the prevailing economic and political climate in Vietnam and elsewhere which will directly or indirectly affect the activities of C & H Vina.
7. There will be no major changes in the key personnel and management of C & H Vina.
8. There will be no material changes in the present structure or principal activities of C & H Vina.
9. There will be no major industrial disputes or any other abnormal factors or changes, either domestic or overseas, which will seriously affect the operations of C & H Vina.
10. There will be no significant changes in the accounting, management and operating policies currently adopted by the management of C & H Vina.
11. There will be no material acquisition or disposal of fixed assets other than those planned.
12. Capital replacement and maintenance costs will not differ materially from current levels.

Specific Assumptions

13. The revenue of C & H Vina for the year ended 31 December 2018 was approximately USD46,596,000. From 2019 to 2023, the Compound Annual Growth Rate (“**CAGR**”) of C & H Vina’s revenue is estimated to be at approximately 6.2%. The adoption of the growth rates has been made with reference to a number of factors, including but not limited to (i) historical performance of C & H Vina; (ii) sales to key existing customers are forecast to remain stable in the next five years; and (iii) growth of sale volume and relatively higher charges to prospective new customers.
14. The discount rate adopted for C & H Vina is 12.5% to 13.5%, derived from the weighted average cost of capital (“**WACC**”) range of 9.5% to 10.5%, plus a considered risk premium of 3.0%. The WACC has been determined using the Capital Assets Pricing Model (“**CAPM**”). A number of factors have been considered in CAPM based on market data and PwC’s experience for similar valuations, including but not limited to (i) risk free rate; (ii) equity risk premium; (iii) beta, a measure of non-diversifiable risk, of the comparable companies; and (iv) applicable cost of debt of C & H Vina.
15. C & H Vina will be able to achieve the projected performance for the financial years from 2019 to 2023 based on the assumptions prepared by the management.
16. The preliminary assessment of C & H Vina’s value was performed on an “as-is-where-is” basis as at a predetermined valuation date with no material changes foreseen in the current business strategy and direction of the company.
17. The Discounted Cash Flow (“**DCF**”) method used in the valuation assumes a lifespan of the business into perpetuity, and the typical year free cash flow has been estimated based on the assumptions relating to: (i) the typical year’s Earnings Before Interest and Tax (“**EBIT**”); (ii) tax rate for the typical year; (iii) annual capital expenditure, depreciation and changes in working capital in the long run; and (iv) the terminal growth rate.

Valuation of C & H Tarps

Pursuant to Rule 14A.68(7) of the Listing Rules, the Valuation contained in the valuation report issued by PwC in relation to C & H Tarps has been prepared on the following principal basis and assumptions, including commercial assumptions:

General Assumptions

1. The legally interested party in the entire equity interest in C & H Tarps (the “**C & H Tarps Asset**”) has free and uninterrupted rights to assign the C & H Tarps Asset (a part of or the whole of) for the whole of the unexpired terms as granted under the relevant approvals and any premiums/administrative costs payable have already been fully paid.
2. C & H Tarps fully complies with all applicable regulations and laws. All the required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can be obtained or renewed on which the valuation is based.

3. C & H Tarps will continue with its current operations on a stand-alone basis, as a going concern, under the same management on an “as-is-where-is” basis.
4. Valuations are reliable insofar as the forecasts and projections as well as other information provided by the management of C & H Tarps are reliable.
5. There will be no significant changes in the present legislation, government regulations, inflation rates, foreign currency exchange, the bases and rates of taxation and other lending guidelines which will affect the activities of C & H Tarps or the markets in which it operates.
6. There will be no significant changes in the current market conditions and the prevailing economic and political climate in Vietnam and elsewhere which will directly or indirectly affect the activities of C & H Tarps.
7. There will be no major changes in the key personnel and management of C & H Tarps.
8. There will be no material changes in the present structure or principal activities of C & H Tarps.
9. There will be no major industrial disputes or any other abnormal factors or changes, either domestic or overseas, which will seriously affect the operations of C & H Tarps.
10. There will be no significant changes in the accounting, management and operating policies currently adopted by the management of C & H Tarps.
11. There will be no material acquisition or disposal of fixed assets other than those planned.
12. Capital replacement and maintenance costs will not differ materially from current levels.

Specific Assumptions

13. The revenue of C & H Tarps for the year ended 31 December 2018 was approximately VND71,335,000,000. From 2019 to 2023, the CAGR of C & H Tarps’ revenue is estimated to be 0%. The adoption of the 0% growth rate has been made with reference to a number of factors, including but not limited to: (i) historical performance of C & H Tarps; (ii) processing fees remaining unchanged in the next five years; and (iii) production volume expected to remain the same as that of 2018 as C & H Tarps achieved maximum capacity from 2017.
14. The discount rate adopted for C & H Tarps relates to the WACC range of 10.5% to 11.5%. The WACC has been determined using the CAPM. A number of factors have been considered in CAPM based on market data and PwC’s experience for similar valuations, including but not limited to, (i) risk free rate; (ii) equity risk premium; (iii) beta, a measure of non-diversifiable risk, of the comparable companies; and (iv) applicable cost of debt of C & H Tarps.
15. C & H Tarps will be able to achieve the projected performance for the financial years from 2019 to 2023 based on the assumptions prepared by the management.

16. The preliminary assessment of C & H Tarps' value was performed on an "as-is-where-is" basis as at a predetermined valuation date with no material changes foreseen in the current business strategy and direction of the company.
17. The DCF method used in the valuation assumes a lifespan of the business into perpetuity, and the typical year free cash flow has been estimated based on the assumptions relating to: (i) the typical year's EBIT; (ii) tax rate for the typical year; (iii) annual capital expenditure, depreciation and changes in working capital in the long run; and (iv) the terminal growth rate.

KPMG has examined the calculations of the discounted future estimated cash flows on which the Valuation is based, which do not involve the adoption of accounting policies. Halcyon Capital Limited ("**Halcyon Capital**"), the independent financial adviser to the Company, confirms that the forecasts of discounted future estimated cash flows in the valuation reports prepared by PwC, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, were made after due and careful enquiry.

A letter from Halcyon Capital and a report from KPMG have been submitted to the Stock Exchange according to Rule 14.62 of the Listing Rules, and are set out as Appendix I and Appendix II to this announcement, respectively.

EXPERTS AND CONSENTS

The Board also wishes to disclose that the following are the qualification of the experts who have given opinions or advice which are contained in this announcement:

Name	Qualification
PwC (Vietnam) Limited	an independent professional valuation advisor
KPMG	Certified Public Accountants
Halcyon Capital	a corporation licensed by Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the date of this announcement, each of PwC, Halcyon Capital and KPMG does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of the Directors' knowledge, information and belief, each of PwC, Halcyon Capital and KPMG is a third party independent of and not connected with the Company or the connected persons (as defined in the Listing Rules) of the Company and its subsidiaries.

Each of PwC, Halcyon Capital and KPMG has given and has not withdrawn its written consent to the issue of the Announcement and this announcement with the inclusion of herein of its letter and report and references to its name in the form and context in which it appears.

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

Hong Kong, 6 January 2020

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

Appendix I – Letter from Halcyon Capital

The following is the text of a letter from Halcyon Capital Limited, which has been prepared for the purpose of inclusion in this announcement.



Halcyon Capital Limited
11/F, 8 Wyndham Street,
Central, Hong Kong

6 January 2020

The Board of Directors
Dream International Limited

6/F, Tower 1
South Seas Centre
75 Mody Road, Tsim Sha Tsui
Kowloon, Hong Kong

Dear Sirs,

We refer to the valuation reports (the “**Reports**”) prepared by PwC (Vietnam) Limited (the “**Valuer**”) in relation to the valuations (the “**Valuations**”) of the fair value of 100% equity interest of C & H Vina Joint Stock Company (“**C & H Vina**”) and C & H Tarps Co., Ltd. (“**C & H Tarps**”, together with C & H Vina, the “**Target Companies**”) as at 31 December 2018, respectively. The principal assumptions upon which the Valuations are based are included in the announcement of Dream International Limited (the “**Company**”) dated 6 January 2020 (the “**Announcement**”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise. The Reports are to be contained as appendix to the circular to be issued by the Company in relation to the Acquisitions.

As stated in the Reports, the Valuations have been arrived at and based on the income approach, which has taken into account the discounted cash flow projection of the Target Companies (the “**Projections**”). As such, the Projections are regarded as profit forecasts (the “**Profit Forecasts**”) under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

We have reviewed the Profit Forecasts upon which the Valuations have been made, for which you as the Directors are solely responsible, and have discussed with the management of the Company and the Valuer regarding the bases and assumptions upon which the Profit Forecasts have been prepared. We have also considered the report from KPMG, Certified Public Accountants, dated 6 January 2020 as set out in Appendix II to the Announcement addressed to you regarding the calculations upon which the Profit Forecasts have been made. We noted that in the opinion of KPMG, so far as the calculations are concerned, that the Profit Forecasts have been properly compiled, in all material respects, in accordance with the bases and assumptions adopted by the Directors as set out in the Valuations.

As the relevant bases and assumptions are about future events which may or may not occur, the actual businesses and financial performances of the businesses of the Target Companies may or may not achieve as expected and the variation may be material. For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Company. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Target Companies. Save as expressly stated in this letter, we take no responsibility for and express no views, whether expressly or implicitly, on the fair values or market values of the Target Companies as determined by the Valuer and set out in the Reports issued by the Valuer or otherwise.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation method and the bases and assumptions adopted by the Valuer on the Valuations, for which you and the Valuer are responsible, we are of the opinion that the Profit Forecasts upon which the Valuations have been made, for which you as the Directors are solely responsible, have been made after due and careful enquiry by you.

Our opinion has been given for the sole purpose of compliance with Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited
Terry Chu
Managing Director

Appendix II – Report from KPMG

The following is the text of a report received from KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF C & H VINA JOINT STOCK COMPANY AND C & H TARPS CO., LTD.

TO THE BOARD OF DIRECTORS OF DREAM INTERNATIONAL LIMITED

We refer to the discounted future cash flows on which the business valuations (collectively, “**the Valuation**”) dated 24 September 2019 prepared by PwC (Vietnam) Limited in respect of the appraisal of the fair values of C & H Vina Joint Stock Company and C & H Tarps Co., Ltd. (“**the Target Companies**”) as at 31 December 2018 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of Dream International Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Companies or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

6 January 2020