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DREAM INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 1 April 2016, 29 September 2016, 7 December 2016, 16 June 2017 and 29 September 2017 regarding the Existing Supply Agreement with C & H for the sale of goods and processing services from the Group to the C & H Group.

The Existing Supply Agreement will be expired on 31 March 2019 and to renew the relevant transactions contemplated thereunder, the Group entered into the New Supply Agreement on 1 April 2019.

Mr. Kyoo Yoon Choi, the Chairman, 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. Each member of the C & H Group is also deemed to be a connected person of the Company.

The transactions to be entered into pursuant to the New Supply Agreement shall constitute continuing connected transactions for the Company. As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual cap of the transactions are less than 5%, the transactions are subject to the reporting and announcement requirements but exempted from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

References are made to the announcements of the Company dated 1 April 2016, 29 September 2016, 7 December 2016, 16 June 2017 and 29 September 2017 regarding the Existing Supply Agreement.

On 1 April 2016, the Company and C & H entered into the Existing Supply Agreement relating to the sale of goods and processing services from the Group to C & H Group.

The Existing Supply Agreement will be expired on 31 March 2019 and to renew the relevant transactions contemplated thereunder, the Group entered into the New Supply Agreement on 1 April 2019.

Mr. Kyoo Yoon Choi, the Chairman, 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. Each member of the C & H Group is also deemed to be a connected person of the Company.

The transactions to be entered into pursuant to the New Supply Agreement shall constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Accordingly, the Company makes this announcement in accordance with Chapter 14A of the Listing Rules.

NEW SUPPLY AGREEMENT

Date

1 April 2019

Parties

- (1) C & H
- (2) The Company

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 of the transactions

Pursuant to the New Supply Agreement, among other things, the Company agreed that any member of the Group shall sell and C & H agreed that any member of the C & H Group shall purchase such quantities of plush stuffed toys, plastic figures, ride-on toys and other toy related products as may be ordered by any member of the C & H Group at such prices as the parties may agree from time to time, subject to the terms of the New Supply Agreement.

The Company agreed that any member of the Group shall provide and C & H agreed that any member of the C & H Group shall receive processing services as may be requested by any member of the C & H Group, and at such prices as the parties may agree from time to time, subject to the terms and conditions of the New Supply Agreement.

Duration

The New Supply Agreement shall continue in force for a period of three years from 1 April 2019, subject to any early termination pursuant to the terms thereof, and renewable upon expiry in accordance with the requirements of the Listing Rules.

Consideration

The price of products to be sold and purchased, and fee of processing service to be provided and received under the New Supply Agreement shall be agreed by the Company and C & H, and shall be determined after arm's length negotiations between the parties on normal commercial terms with reference to the then market price of the subject goods or services.

The price of the products shall be determined based on costs of raw materials with a margin no lower than the average of the prices charged to other customers from time to time.

The fee of processing services shall be determined based on labour costs and fixed costs for production with a margin no lower than the average of the processing fees charged to other customers from time to time.

ANNUAL CAPS

Proposed annual cap of sale of goods and processing services will be HK\$50,000,000 for each of the three years ending 31 December 2021.

According to historical record of the transactions pursuant to the Existing Supply Agreement between the Group and the C & H Group, during the nine months ended 31 December 2016, each of the two years ended 31 December 2018 and the three months ended 31 March 2019, the amounts of transactions between the parties were approximately HK\$33,940,000, HK\$47,978,000, HK\$43,291,000 and HK\$2,572,000 respectively.

The proposed annual caps are determined with reference to (i) the historical transactions between the Group and the C & H Group, (ii) the estimated demand of the C & H Group and (iii) seasonal factors of these transactions.

The Directors (including the independent non-executive Directors) are of the view that the basis of determining the annual caps and the annual caps for the New Supply Agreement are fair and reasonable.

In the event that the New Supply Agreement is renewed or should there be any variation to or transaction amounts in excess of such proposed annual caps, the Company shall comply with the relevant requirement under the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The New Supply Agreement was entered to secure the Company's income and business growth. The transactions were normal sale of goods and processing services entered into in the ordinary course of business of the Group and enabled the Group to profit therefrom and the proceeds of sale and processing service will be used for general working capital purpose.

Except for Mr. Kyoo Yoon Choi, who is also a director of C & H, none of the Directors have any material interest in the New Supply Agreement. Mr. Kyoo Yoon Choi has abstained from voting on the Board meeting approving the New Supply Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Supply Agreement were arrived at after arm's length negotiation between the relevant parties, and are on normal commercial terms, 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, 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. Each member of the C & H Group is also deemed to be a connected person of the Company.

The transactions to be entered into pursuant to the New Supply Agreement shall constitute continuing connected transactions for the Company. As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual cap of the transactions are less than 5%, the transactions are subject to the reporting and announcement requirements but exempted from Independent Shareholders' approval requirement under Chapter 14A 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.

“associate(s)”, “connected person(s)” and “controlling shareholder”	have the meanings ascribed to them in the Listing Rules
“Board”	the board of Directors
“C & H Group”	C & H and its subsidiaries
“C & H”	C & H Co., Ltd., a limited liability company incorporated in Korea, of which approximately 61.95% of the issued share capital were held by Mr. Kyoo Yoon Choi and his wife
“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
“Directors”	directors of the Company

“Existing Supply Agreement”	the supply agreement dated 1 April 2016 entered into by the Company and C & H for supply of plush stuffed toys, plastic figures, ride-on toys, and other toy related products, and processing services
“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
“New Supply Agreement”	the new supply agreement dated 1 April 2019 entered into by the Company and C & H for supply of plush stuffed toys, plastic figures, ride-on toys and other toy related products, and processing services
“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
“%”	per cent

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

Hong Kong, 1 April 2019

As at the date of this announcement, the directors of the Company are:

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