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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)

CONTINUING CONNECTION TRANSACTIONS AND RATIFICATION OF PREVIOUS CONNECTED TRANSACTION

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

AmCap
Ample Capital Limited
豐盛融資有限公司

Resolutions will be proposed at the EGM of the Company to be held at the Imperial Room IV, Tower Wing, Mezzanine Floor, The Royal Pacific Hotel and Towers Hong Kong, 33 Canton Road, China Hong Kong City, Tsimshatsui, Kowloon, Hong Kong on 23 July 2010 at 11:00 a.m to approve the matters referred to in this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy enclosed with in this circular in accordance with the instructions printed thereon and return it to the registered office of the Company in Hong Kong at 8th Floor, Tower 5, China HK City, 33 Canton Road, Tsimshatsui Kowloon, Hong Kong no later than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and delivery of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

22 June 2010

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DEFINITIONS

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

“Announcement”	the announcement dated 1 June 2010 of the Company in respect of continuing connected transactions and ratification of previous connected transactions
“Board”	the board of directors
“C & H Group”	C & H and its subsidiary, excluding the Group
“C & H Vina”	C & H Vina Co., Ltd., a limited liability company incorporated in Socialist Republic of Vietnam, which is a subsidiary of C & H
“C & H”	C & H Co., Ltd., a limited liability company incorporated in the Republic of Korea, currently holding 382,850,000 Shares representing approximately 57.27% of the total issued share capital of the Company, which is a substantial shareholder and connected person of the Company
“Commission Agreement”	the Commission Agreement date 1 June 2010 entered into by the Company and C & H for receiving and processing payment of products sold by C & H Group to such customers of the Company
“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
“Director(s)”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held for the purpose of approving the relevant continuing connected transactions and ratification of the relevant previous connected transactions mentioned herein

DEFINITIONS

“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 Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, to be formed to advise the Independent Shareholders in respect of the relevant connected transactions
“Independent Financial Adviser”	Ample Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) sale of raw materials to C & H Vina for the financial year ended 31 December 2009; (ii) the transactions under the Supply Agreement; and (iii) the transactions under the Commission Agreement
“Independent Shareholders”	Shareholders other than C & H, Uni-Link Technology Limited, and Ms. Soo Jin Choi and their associates
“Latest Practicable Date”	18 June 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	the ordinary shares of US\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Supply Agreement”	the Supply Agreement dated 1 June 2010 entered into by the Company and C & H for supply of plush stuffed toy, steel and plastic toy and other toy products
“US\$”	United States dollars, the lawful currency of United States of America
“%”	per cent

LETTER FROM THE BOARD



DREAM INTERNATIONAL LIMITED

德林國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

Executive directors:

Mr. Kyoo Yoon Choi (*Chairman*)

Mr. Young M. Lee

Mr. James Chuan Yung Wang

Mr. Hyun Ho Kim

Registered Office:

8th Floor, Tower 5,

China HK City,

33 Canton Road,

Tsimshatsui

Kowloon, Hong Kong

Independent non-executive directors:

Professor Cheong Heon Yi

Professor Byong Hun Ahn

Mr. Oliver, Shing Kay Wong

22 June 2010

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND RATIFICATION OF PREVIOUS CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement.

The Group and the C & H Vina entered into transactions for the sale of raw materials during the financial year ended 2009.

On 1 June 2010 the Company and C & H entered into the Supply Agreement and the Commission Agreement relating to the future sale of goods from the Group to C & H Group and the processing of payments by the Group on behalf of C & H Group.

LETTER FROM THE BOARD

C & H currently holds 382,850,000 Shares, representing approximately 57.27% of the issued share capital of the Company. By virtue of this shareholding interest, C & H is a substantial shareholder of the Company and is accordingly 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 said transactions entered into between the Group and the C & H Vina for the financial year ended 2009 constituted connected transaction and the Supply Agreement and the Commission Agreement constitute continuing connected transactions requiring Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the transactions which will require approval by the Independent Shareholders. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of such transactions.

The purpose of this circular is to provide, amongst others, (i) information on the transactions requiring the approval of Independent Shareholders, namely, (a) sale of raw materials by the Group to C & H Vina for the financial year ended 31 December 2009, (b) Supply Agreement, and (c) Commission Agreement; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice of EGM.

PREVIOUS CONNECTED TRANSACTION

1. SALE OF RAW MATERIALS BY THE GROUP TO C & H VINA FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

Date

During the financial year ended 31 December 2009 (1 January 2009 to 31 December 2009)

Parties

- (1) C & H Vina Co. Ltd., its principal business activities is manufacturing and sales of tarpaulin. It is also a subsidiary of C & H and thus a connected person of the Company.
- (2) The Group

LETTER FROM THE BOARD

Subject of the Transaction

The transactions involved sale of raw materials by the Group to C & H Vina during such period and therefore constituted a connected transaction for the Company under the Listing Rule

According to the audited accounts of Group for the financial year ended 31 December 2009, the cost of raw materials sold to C & H Vina during such period was approximately HK\$14,072,000, which also represented the book value.

Consideration

The aggregate consideration of the transactions for the whole period amounting to HK\$14,553,000 had been settled in full by C & H Vina.

The consideration of the transactions was determined after arm's length negotiations between the parties on normal commercial terms with reference to the purchase cost of the subject raw materials. The Group sold the raw materials to C&H Vina on terms no less favorable to the other customers of the Group.

As the result of the transactions, a realised gain of approximately HK\$481,000 was recorded in the Company's consolidated income statement for the year ended 31 December 2009, which was arrived at with reference to the proceeds and the cost of goods sold, which was approximately HK\$14,072,000.

The Company used the proceeds of sale for general working capital purpose.

The transaction was normal sale of goods entered into in the ordinary course of business of the Group and enabled the Group to profit therefrom. The Directors (including the independent non-executive Directors) consider that the terms of the transaction were fair and reasonable and in the interests of the Shareholders as a whole.

The transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

The transactions had been disclosed in the annual report of the Company for the financial year of 2009.

LETTER FROM THE BOARD

Resolution to ratify the transaction will be proposed at the EGM for the approval by Independent Shareholders. C & H and Uni-Link Technology Limited are substantial Shareholders holding respectively 57.27 % and 10.79% of the issued share capital of the Company. Ms. Soo Jin Choi is the daughter of the chairman of the Company, a Shareholder holding 22,500,000 Shares representing 3.37 % of the issued share capital of the Company and holds 8.41% of the issued share capital of C & H. Kyoo Yoon Choi, being a director of C & H together with his wife, Woul Hee Cha, hold approximately 61.03% of the issued share capital of C & H and Kyoo Yoon Choi beneficially owns 100% of the issued share capital of Uni-Link Technology Limited. C & H, Uni-Link Technology Limited and Ms. Soo Jin Choi are connected persons of the Company under the Listing Rules having material interest in the transaction. They together with their associates are required to abstain from voting.

FUTURE CONTINUING CONNECTED TRANSACTIONS

1. SUPPLY AGREEMENT

Date

1 June 2010

Parties

- (1) C & H Co., Ltd., the principal business activities of C & H and its subsidiaries are sale of toy and tarpaulin products.
- (2) The Company

C & H currently holds 382,850,000 Shares, representing approximately 57.27% of the issued share capital of the Company. By virtue of this shareholding interest, C & H is a substantial shareholder of the Company and is accordingly a connected person of the Company.

Subject of the Agreement

Pursuant to the 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 toy, steel and plastic toy and other toy products as may be ordered by any members of the C & H Group at such prices as the parties may agree from time to time, subject to the terms of the Supply Agreement.

LETTER FROM THE BOARD

Duration

The Supply Agreement shall become effective upon approval by the Independent Shareholders in the EGM. It shall continue in force for a period of three years from the date it becoming effective, subject to any early termination pursuant to the terms thereof, and renewable upon expiry and further approval by the Independent Shareholders in accordance with the requirements of the Listing Rules.

Consideration

The price of products to be sold and purchased under the 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.

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 payment terms of the Supply agreement is from T/T 60 days to 90 days after delivery.

Proposed annual cap of sale of products under the Supply Agreement will be HK\$5,460,000 for each of the three financial years ending 31 December 2012. In the event that the Supply Agreement is renewed or should there be any variation to or sales in excess of such proposed annual cap, the Company shall comply with the relevant requirement under the Listing Rules.

The Company will use the proceeds of sale for general working capital purpose.

The transactions were normal sale of goods entered into in the ordinary course of business of the Group and enabled the Group to profit therefrom.

The transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Basis of the annual cap

The proposed annual caps are determined with reference to the past actual transactions between the Company and C & H as well as the anticipated growth of these transactions.

LETTER FROM THE BOARD

According to historical record of the transactions between the Company and C & H, in the last three preceding year, the amounts of transactions between the parties were approximately HK\$577,000, HK\$1,651,000 and HK\$1,995,000.

Historical sales pattern shows that sales in the second half of the year was generally about 2 times the sales in the first half of the year. The actual sales to C & H Creative, a subsidiary of C & H, during the five months ended 31 May 2010 amounted to approximately HK\$1,505,000. The annual caps were determined from the annualized sales based on these figures.

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 Supply Agreement are fair and reasonable.

Resolution to approve the transactions shall be proposed at the EGM for the approval by Independent Shareholders. As aforesaid, C & H, Uni-Link Technology Limited and Ms. Soo Jin Choi are connected persons of the Company under the Listing Rules having material interest in the transaction. They together with their associates will be required to abstain from voting.

2. COMMISSION AGREEMENT

Date

1 June 2010

Parties

- (1) C & H Co., Ltd., the principal business activities of C & H and its subsidiaries are sale of toy and tarpaulin products.
- (2) The Company

C & H currently holds 382,850,000 Shares, representing approximately 57.27% of the issued share capital of the Company. By virtue of this shareholding interest, C & H is a substantial shareholder of the Company and is accordingly a connected person of the Company.

Subject of the Agreement

Pursuant to the Commission Agreement, among other things, it is agreed that the Company shall by itself or through any of its subsidiaries, on behalf of the C & H Group, receive and process payment of products sold by C & H Group to such customers of the Company as the Company may agree, subject to the terms of the Commission Agreement.

LETTER FROM THE BOARD

Duration

The Commission Agreement shall become effective upon approval by the Independent Shareholders in the EGM. It shall continue in force for a period of three years from the date it becoming effective, subject to any early termination pursuant to the terms thereof, and renewable upon expiry and further approval by the Independent Shareholders in accordance with the requirements of the Listing Rules.

Consideration

The Group shall be entitled to a commission of 5% on the total price of the products sold by C & H Group to the customers in respect of which the Group receives and processes payment on C & H Group's behalf.

Such commission has been determined after arm's length negotiations between the parties on normal commercial terms with reference to prevailing market practice.

Proposed annual caps of commission entitlement under the Commission Agreement for the financial year ending 31 December 2010, 31 December 2011 and 31 December 2012 will be HK\$4,680,000, HK\$5,070,000 and HK\$5,460,000 respectively. In the event that the Commission Agreement is renewed or should there be any variation to or commission entitlement in excess of such proposed annual cap, the Company shall comply with the relevant requirement under the Listing Rules.

The shopping chain customer has a policy of making payment only to designated suppliers which include the Company but not the C & H Group. All matters relating to the sale of goods by the C & H Group to such customer were handled directly between themselves and the Company was only required to collect payment on behalf of the C & H Group at a commission equivalent to 5% of the value of the goods sold. The Company earns commission from the transactions with little involvement in the actual sale of goods.

The transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

The Company will use the commission earned for general working capital purpose.

Basis of the annual cap

The proposed annual caps were determined with reference to the past actual transactions between the Group and C & H Vina as well as the anticipated growth of commission transactions after discussion between the Group and the C & H Group.

LETTER FROM THE BOARD

According to historical record of the transactions between the Group and C & H Vina, in the last three preceding years, the amounts of transactions between the parties were approximately HK\$341,000, HK\$3,671,000 and HK\$2,948,000.

Based on sales that would fall under the Commission Agreement, commission income for the five months ended 31 May 2010 receivable by the Group would amount to approximately HK\$1,846,000. Accordingly, the annualized commission income for the year ending 31 December 2010 would amount to approximately HK\$4,430,000, whereby the annual cap for the year ending 31 December 2010 was determined.

The shopping chain customer of C & H Vina is based in the United States, one of the areas worst affected by the global financial tsunami. The global financial tsunami which surfaced in the second half of 2008 has resulted in this shopping chain customer becoming more conservative in terms of its purchases (including those from C & H Vina) during the year ended 31 December 2009. This has been reflected in the decrease in the commission income receivable by the Group from approximately HK\$3,671,000 during the year ended 31 December 2008 to approximately HK\$2,948,000 during the year ended 31 December 2009. However, the Group and the C & H Group are of the view that the situation has already seen improvements in the year ending 31 December 2010 which can be illustrated by the annualized commission of approximately HK\$4,430,000, an amount which is significantly higher than the commission income of approximately HK\$2,948,000 for the year ended 31 December 2009. C & H Vina's sales to this United States based shopping chain customer is believed to gradually catch up with C & H Group Vina's other global customers. In addition, the Group has also learnt from the C & H Group that C & H Vina is currently undertaking an expansion plan that is believed to significantly increase its production capacity. Upon the completion of such expansion during the year ending 31 December 2010, it is believed that sales of C & H Vina (including those to the shopping chain customer in the United States) would increase across the board.

The turnover of C & H Vina during the year ended 31 December 2009 indicated an approximately 16.21% increase over its turnover during the year ended 31 December 2008. Based on the above reasons, the percentage increase of the annual caps of commission entitlement under the Commission Agreement for the financial year ending 31 December 2011 and 2012 were therefore determined with reference to the aforementioned rate of increase in C & H Vina's turnover.

The Directors are of the view that the basis of determining the annual caps and the annual caps for the Commission Agreement are fair and reasonable.

Resolution to approve the transaction shall be proposed at the EGM for the approval by Independent Shareholders. As aforesaid, C & H, Uni-Link Technology Limited and Ms. Soo Jin Choi are connected persons of the Company under the Listing Rules having material interest in the transaction. They together with their associates will be required to abstain from voting.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The principal business of the Group is the designing, developing, manufacturing and sales of plush stuffed and steel and plastic toys.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLY AGREEMENT AND THE COMMISSION AGREEMENT

The Supply Agreement and the Commission Agreement were entered to secure the Company's income and business growth.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Supply Agreement and the Commission 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.

RECOMMENDATION

For the reasons stated under paragraph headed "Reasons for and Benefits of Entering into the Supply Agreement and the Commission Agreement" in this circular, the Directors consider the terms of the agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Mr. Kyoo Yoon Choi, being a director of the Company and a director of C & H Co., Ltd., together with his wife, Woul Hee Cha, hold approximately 61.03% of the issued share capital of C & H. Mr. Kyoo Yoon Choi thus has a material interest in the connected and continuing connected transactions and he has abstained from voting and not counted towards quorum in respect of the resolutions in connection with the said connected transactions regarding the sale of raw materials by the Group to C& H Vina for the financial year ended 31 December 2009 and the Supply Agreement and the Commission Agreement at the relevant board meeting.

Save as disclosed above, no other director has material interests in the connected transactions and continuing connected transactions disclosed herein.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at Imperial Room IV, Tower Wing, Mezzanine Floor, The Royal Pacific Hotel and Towers Hong Kong, 33 Canton Road, China Hong Kong City, Tsimshatsui, Kowloon, Hong Kong on 23 July 2010 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the resolutions has been set out in this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM or any adjourned meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed on it and return it to the registered office of the Company, 8th Floor, Tower 5, China HK City, 33 Canton Road, Tsimshatsui Kowloon, Hong Kong, no later than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders, the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders, the additional information set out in the appendices to this circular and the notice of EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



DREAM INTERNATIONAL LIMITED

德林國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

Executive directors:

Mr. Kyoo Yoon Choi (*Chairman*)

Mr. Young M. Lee

Mr. James Chuan Yung Wang

Mr. Hyun Ho Kim

Registered Office:

8th Floor, Tower 5,

China HK City

33 Canton Road,

Tsimshatsui,

Kowloon, Hong Kong

Independent non-executive directors:

Professor Cheong Heon Yi

Professor Byong Hun Ahn

Mr. Oliver, Shing Kay Wong

22 June 2010

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND RATIFICATION OF PREVIOUS CONNECTED TRANSACTION

We refer to the circular to the Shareholders dated 22 June 2010 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the “Letter from Independent Financial Adviser” as set out on pages 16 to 26 of the Circular. We have considered the terms and conditions of the transactions, the advice of the Independent Financial Adviser and the other factors contained in the “Letter from the Board” as set out on pages 4 to 13 of the Circular.

In our opinion, so far as the Independent Shareholders are concerned, the terms of the transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed to ratify the previous connected transaction and to approve the continuing connected transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee of
Dream International Limited

Professor Cheong Heon Yi

Professor Byong Hun Ahn

Mr. Oliver, Shing Kay Wong

LETTER FROM INDEPENDENT FINANCIAL ADVISER

AmCap

Ample Capital Limited

豐盛融資有限公司

Ample Capital Limited

Unit A, 14th Floor

Two Chinachem Plaza

135 Des Voeux Road Central

Hong Kong

22 June 2010

*To the Independent Board Committee and
the Independent Shareholders of
Dream International Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS AND RATIFICATION OF PREVIOUS CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of (i) sale of raw materials to C & H Vina for the financial year ended 31 December 2009 (the “**Sale of Raw Materials**”); (ii) the transactions under the Supply Agreement; and (iii) the transactions under the Commission Agreement (collectively the “**Transactions**”), the particulars of which have been set out in a circular to the Shareholders dated 22 June 2010 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Ample Capital Limited has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendation as to whether the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms; (ii) give our recommendations as to whether the Transactions are in the interest of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) advise the Independent Shareholders on how to vote at the EGM. Details of the reasons for the Transactions are set out in the section headed “Letter from the Board” in the Circular (the “**Board Letter**”).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As per the Board Letter, the Sale of Raw Materials involved the sale of raw materials by the Group to C & H Vina during the year ended 31 December 2009. The aggregate consideration of the transactions for the whole period amounted to HK\$14,553,000 and had been settled in full by C & H Vina.

It is also disclosed in the Board Letter that on 1 June 2010, the Company and C & H entered into the Supply Agreement and Commission Agreement relating to the future sale of goods from the Group to C & H Group and the processing of payments by the Group on behalf of C & H Group respectively.

The Company is incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange. The principal business of the Group is the designing, developing, manufacturing and sales of plush stuffed and steel and plastic toy.

C & H currently holds 382,850,000 Shares, representing approximately 57.27% of the issued share capital of the Company. By virtue of this shareholding interest, C & H is a substantial shareholder of the Company and is accordingly 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 Sale of Raw Materials and the transactions to be entered into pursuant to the Supply Agreement and the Commission Agreement shall constitute connected transactions and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company, the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Transactions.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Transactions, we have taken into consideration the following factors:

1. Information on the Group

As mentioned earlier, the principal business of the Group is the designing, developing, manufacturing and sales of plush stuffed and steel and plastic toy. Set out below is certain key audited financial information as extracted from the Group's annual report for the year ended 31 December 2009 (the "Annual Report"):

	Year ended31 December	
	2009	2008
	HK\$'000	HK\$'000
	(audited)	(audited)
Turnover	994,052	1,048,589
Net profit/(loss) attributable to Shareholders	74,619	(41,929)
Total assets (as at period end)	810,305	736,675
Total liabilities (as at period end)	334,314	357,978
Net assets attributable to Shareholders (as at period end)	464,676	374,142

We note that the Company recorded a consolidated turnover of approximately HK\$994,052,000 for the year ended 31 December 2009, representing an approximately 5.20% decrease when compared with the consolidated turnover of approximately HK\$1,048,589,000 recorded during

LETTER FROM INDEPENDENT FINANCIAL ADVISER

the year ended 31 December 2008. During the year ended 31 December 2009, the Company managed to turn around the loss attributable to Shareholders of approximately HK\$41,929,000 recorded during the year ended 31 December 2008 into a profit attributable to Shareholders of approximately HK\$74,619,000. The Annual Report attributes the turnaround of its business to (i) relocation of production bases to inland PRC and Vietnam taking advantage of lower labour costs; (ii) successfully bargaining with major suppliers to minimize the raw material costs; and (iii) reduction of administrative expenses. As at 31 December 2009, the Company had consolidated total assets, total liabilities and net assets attributable to Shareholders of approximately HK\$810,305,000, HK\$334,314,000 and HK\$464,676,000 respectively.

2. Reasons for and the benefits of the Transactions

As mentioned in the Board Letter, the Sale of Raw Materials was normal sale of good entered into in the ordinary course of business of the Group and enabled the Group to profit therefrom. The Company used the proceeds from the Sale of Raw Materials for general working capital purpose.

With regards to the transactions under the Supply Agreement, the Board Letter states that the transactions were normal sale of goods entered into in the ordinary course of business of the Group and enabled the Group to profit therefrom, and the proceeds of sale will be used for general working capital purpose.

As for the transactions under the Commission Agreement, the Board Letter states that the shopping chain customer has a policy of making payment only to designated suppliers which include the Company but not the C & H Group. All matters relating to the sale of goods by the C & H Group to such customer were handled direct between themselves and the Company was only required to collect payment on behalf of the C & H Group at a commission equivalent to 5% of the value of the goods sold. The Company earns commission from the transactions with little involvement in the actual sale of goods. The Company will use the commission earned for general working capital purpose.

3. Terms of the Transactions

3.1 Sale of Raw Materials

As mentioned in the Board Letter, the transactions involved sale of raw materials by the Group to C & H Vina during the year ended 31 December 2009. The cost of raw materials sold to C & H Vina during the year ended 31 December 2009 was approximately HK\$14,072,000 which also represented the book value. Furthermore, the aggregate consideration of the transactions for the whole period amounted to HK\$14,553,000 and had been settled in full by C & H Vina. The Group has therefore realized a gain of approximately HK\$481,000 in the Sale of Raw Materials.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In our discussion with the Group's management, we have learnt that the Sale of Raw Materials during the year ended 31 December 2009 was conducted to facilitate the purchase by C & H Vina, a company based in Vietnam, of the raw material used in the manufacturing of tarpaulin from a supplier based in South Korea. Although the Sale of Raw Materials was normal sale of goods entered into the ordinary course of business of the Group, the Group's management indicated to us that the Sale of Raw Materials was not made under the Group's principal business of designing, developing, manufacturing and sales of plush stuffed and steel and plastic toy. Furthermore, the Group's management indicated that the Sale of Raw Materials occurred only during the year ended 31 December 2009 and (i) is not expected to occur on a continuous basis in the future; and (ii) was conducted with C & H Vina only and not any other customers of the Group. Having considered the above, we have not compared the gain which arose out of the Sale of Raw Materials with the historical financial indicators (e.g. gross profit) of the Group.

Due to the nature of the Sale of Raw Materials which involved raw materials used in the manufacturing of tarpaulin, we were unable to identify comparable pricing information on the relevant raw materials in the public domain. We have obtained from the Group copies of sample documents issued in respect of (i) the Group's purchase of the raw materials from the supplier in South Korea; and (ii) the Group's sales of the raw materials to C & H Vina. After studying these sample documents, we note that the Group's purchase cost is lower than the price charged by the Group to C & H Vina. The Group's management has confirmed that costs incurred by the Group in respect of the Sale of Raw Materials including administrative expenses and shipping charges have been fully covered by the mark-up in the price paid by C & H Vina allowing the Group to make a profit out of the Sale of Raw Materials.

Having considered the above, we are of the view that the Sale of Raw Materials is fair and reasonable reasonable and in the interest of the Company and the Shareholders as a whole.

3.2 *Transactions under the Supply Agreement*

Pursuant to the 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 toy, steel and plastic toy and other toy products as may be ordered by any members of the C & H Group at such prices as the parties may agree from time to time, subject to the terms of the Supply Agreement.

The price of products to be sold and purchased under the 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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.

We have reviewed sample copies of invoices issued by the Group to the C & H Group in respect of sale of the toy products and have compared them with those issued to independent third parties for the sale of same types of products by the Group in the past. From these sample invoices, we note that the pricing of toy products supplied by the Group to the C & H Group is either identical or slightly higher than the pricing of same type of products supplied to other independent customers of the Group. Accordingly, the transactions under the Supply Agreement with the C & H Group are on terms that are no more favorable than other independent customers of the Group.

We also understand from the Group's management that pricing for each order under the Supply Agreement must be acceptable to both the Group and the C & H Group. In the unlikely event that an agreeable pricing cannot be reached between the Group and the C & H Group, the Group may decline the acceptance of that particular order. Accordingly, we believe that the interest of the Group has been properly safeguarded as the Group is not obligated to supply any products to the C & H Group pursuant to the Supply Agreement if an agreeable pricing cannot be reached.

Having considered the above, we are of the view that the Supply Agreement is fair and reasonable reasonable and in the interest of the Company and the Shareholders as a whole.

3.3 Transactions under the Commission Agreement

Pursuant to the Commission Agreement, among other things, the Company agreed that it shall, by itself or through any of its subsidiaries, on behalf of the C & H Group, receive and process payment of products sold by C & H Group to such customers of the Company as the Company may agree, subject to the terms of the Commission Agreement.

The Group shall be entitled to a commission of 5% on the total price of the products sold by C & H Group to the customers in respect of which the Group receives and processes payment on C & H Group's behalf.

Such commission has been determined after arm's length negotiations between the parties on normal commercial terms with reference to prevailing market practice.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As the nature of the transactions under the Commission Agreement, i.e. receipt and processing of payments on behalf of a third party, is unique in terms of its cost (e.g. extent of staff resources involved, types and amounts of expenses incurred, etc.) we are unable to identify comparable transactions in the public domain. To ascertain the fairness and reasonableness of the 5% commission under the Commission Agreement, we have studied an analysis on the cost breakdown with regards to the commission income for the year ended 31 December 2009 provided by the Company. We note that the Group has to bear various costs including bank charge, staff salary, administration expenses, etc. in connection with receiving and processing payment on C & H Group's behalf. It is noted that the attributable costs was less than the commission income representing 5% of the C & H Group's sales processed by the Group for the year ended 31 December 2009, therefore allowing the Group to profit from the provision of payment processing service to the C & H Group.

Having considered the above, we are of the view that the Commission Agreement is fair and reasonable reasonable and in the interest of the Company and the Shareholders as a whole.

4. The annual caps

4.1 *The Supply Agreement*

It is stated in the Board Letter that the proposed annual cap of sale of products under the Supply Agreement will be HK\$5,460,000 for each of the three years ending 31 December 2012 (the “**Supply Agreement Annual Caps**”).

The Group's management has advised us that the actual sales to C & H Creative, a subsidiary of C & H, during the five months ended 31 May 2010 amounted to approximately HK\$1,505,000. The Group's management also indicated that historical sales pattern shows that sales in the second half of the year is generally about 2 times the sales in the first half of the year. In that connection, we have examined the Company's interim report for the six months ended 30 June 2009 and the Annual Report. We note that the Company recorded consolidated turnover of approximately HK\$340,002,000 and HK\$382,226,000 for the six months ended 30 June 2008 and 2009 respectively, and approximately HK\$1,048,589,000 and HK\$994,052,000 for the years ended 31 December 2008 and 2009 respectively. Accordingly, the Company's turnover for the six months ended 31 December 2008 of approximately HK\$708,587,000 is approximately 2.08 times of its turnover for the six months ended 30 June 2008, and the Company's turnover for the six months ended 31 December 2009 of approximately HK\$611,826,000 is approximately 1.60 times of its turnover for the six months ended 30 June 2009. We note that the average multiple for 2008 and 2009 of approximately 1.84 times is comparable to the multiple of 2 times as advised by the management of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Based on the above information, we set out below the annualized sales to C & H Creative for the year ending 31 December 2010 (the “**Annualized Sales**”) calculated based on an average monthly sales of approximately HK\$301,000 during the five months ended 31 May 2010.

	Six months ending 30 June 2010 HK\$	Six months ending 31 December 2010 HK\$	Total for the year ending 31 December 2010 HK\$
Monthly sales	301,000	602,000	—
Total for the period	1,806,000	3,612,000	5,418,000

We note that the Supply Agreement Annual Caps of HK\$5,460,000 for each of the three years ending 31 December 2010, 2011 and 2012 is comparable the Annualized Sales of HK\$5,418,000.

We have also studied the historical sales of plush stuffed toy and steel and plastic toy to C & H Creative during the two years ended 31 December 2008 and 2009 provided by the Group, the details of which are summarized below.

	Historical sales to C & H Creative for the year ended 31 December		Supply Agreement Annual Caps for the year ending 31 December		
	2008	2009	2010	2011	2012
Historical sales/annual caps (in HK\$'000)	1,654	3,151	5,460	5,460	5,460
Percentage increase from previous year (%)	—	90.51	73.28	0.00	0.00

During the year ended 31 December 2009, sales to C & H Creative amounted to approximately HK\$3,151,000, representing an increase of approximately 90.51% over sales of approximately HK\$1,654,000 recorded during the year ended 31 December 2008. We note that the Supply Agreement Annual Caps of HK\$5,460,000 for each of the three years ending 31 December 2010, 2011 and 2012 is approximately 73.28% higher than

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the sales to C & H Creative during the year ended 31 December 2009. We note that such percentage increase is well within the historical growth pattern of the sales to the C & H Group from 2008 to 2009, therefore indicating the Supply Agreement Annual Caps were determined by the Group's management after due and careful consideration.

Having considered the above, we are of the view that the Supply Agreement Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4.2 *The Commission Agreement*

As stated in the Board Letter, the proposed annual cap of commission entitlement under the Commission Agreement for the financial years ending 31 December 2010, 2011 and 2012 will be HK\$4,680,000, HK\$5,070,000 and HK\$5,460,000 respectively (the “**Commission Agreement Annual Caps**”).

The Group's management advised us that C & H Vina, the principal to the Commission Agreement, generated sales of approximately HK\$36,910,000 during the five months ended 31 May 2010 that would fall under the Commission Agreement. With the 5% commission pursuant to the Commission Agreement, commission income for the five months ended 31 May 2010 receivable by the Group would amount to approximately HK\$1,846,000. Accordingly, the annualized commission income for the year ending 31 December 2010 would amount to approximately HK\$4,430,000 (the “**Annualized Commission**”). We note that the value of the Annualized Commission is comparable to the Commission Agreement Annual Cap for the year ending 31 December 2010.

We set out below the Commission Agreement Annual Caps together with the percentage increase in a table form.

	For the year ending 31 December		
	2010	2011	2012
Commission Agreement			
Annual Caps (in HK\$'000)	4,680	5,070	5,460
Percentage increase from			
previous year (%)	—	8.33	7.69

We have learnt from the Group's management that the Commission Agreement Annual Caps were determined after discussions between the Group and the C & H Group. It is noted that the shopping chain customer of C & H Vina is based in the United States, and

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the global financial tsunami which surfaced in the second half of 2008 has resulted in this shopping chain customer becoming more conservative in terms of its purchases (including those from C & H Vina) during the year ended 31 December 2009. This has been reflected in the decrease in the commission income receivable by the Group from approximately HK\$3,671,000 during the year ended 31 December 2008 to approximately HK\$2,948,000 during the year ended 31 December 2009. However, the Group and the C & H Group are of the view that the situation has already seen improvements in the year ending 31 December 2010 which can be illustrated by the Annualized Commission of approximately HK\$4,430,000, an amount which is significantly higher than the commission income of approximately HK\$2,948,000 for the year ended 31 December 2009. In addition, the Group has also learnt from the C & H Group that C & H Vina is currently undertaking an expansion plan that is expected to significantly increase its production capacity. Upon the completion of such expansion during the year ending 31 December 2010, it is expected that sales of C & H Vina (including those to the shopping chain customer in the United States) would increase across the board.

In view of the aforementioned factors, we have not compared the growth rate of the Commission Annual Caps against the rate of change of the historical commission income for the years ended 31 December 2008 and 2009. Instead, we have studied the historical turnover of C & H Vina as (i) sales to this particular shopping chain customer based in the United States, one of the areas worst affected by the global financial tsunami, has been distorted during the year ended 31 December 2009; and (ii) C & H Vina's sales to this United States based shopping chain customer is expected to gradually catch up with C & H Vina's other global customers. Based on information provided by the Group, C & H Vina recorded turnover of approximately VND231,943,988,000 (approximately HK\$95,822,000 at an exchange rate of approximately HK\$1.00 = VND2,420.58) during the year ended 31 December 2009, representing an approximately 16.21% increase over its sales of approximately VND199,582,160,000 (approximately HK\$82,452,000 at the aforementioned exchange rate) during the year ended 31 December 2008. We note that the amount of commission income receivable under the Commission Agreement is related to the turnover of C & H Vina, and the percentage increase of the Commission Agreement Annual Caps for the years ending 31 December 2011 and 2012 (as illustrated in the table above) is well within the increase in C & H Vina's historical turnover from 2008 to 2009, therefore indicating the Commission Agreement Annual Caps were determined by the Group's management after due and careful consideration (after discussions with the C & H Group).

Having considered the above, we are of the view that the Commission Agreement Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole

LETTER FROM INDEPENDENT FINANCIAL ADVISER

CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Transactions (including the Supply Agreement Annual Caps and the Commission Agreement Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, we consider that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution(s) to approve the Transactions (including the Supply Agreement Annual Caps and Commission Agreement Annual Caps) at the EGM.

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive;
- (b) there are no other matters the omission of which would make any statement in this circular misleading.

II. DIRECTOR’S AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OR DEBENTURES

The directors of the Company who held office at the Latest Practicable Date had the following interests in the shares of the company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), at that date as recorded in the register of directors’ and chief executive’s interests and short positions required to be kept under Section 352 of the SFO or otherwise notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listing Issuers (the “Model Code”):

(i) Long positions in ordinary shares of US\$0.01 each

	Number of shares held			Percentage of issued share capital of the company	
	Personal interests (Note 1)	Family interests	Corporate interests	Total	
The Company					
— Kyoo Yoon Choi	—	—	455,000,000 (Note 2)	455,000,000	68.06%
— Young M. Lee	1,740,000	—	—	1,740,000	0.26%
C & H Co., Ltd.					
— Kyoo Yoon Choi	189,917	124,073 (Note 3)	—	313,990	61.03%

Notes:

- (1) The shares are registered under the names of the directors and chief executive of the company who are the beneficial owners.
- (2) Kyoo Yoon Choi in his own name holds approximately 36.91% of the issued share capital of C & H Co., Ltd. and together with his wife, Woul Hee Cha, hold approximately 61.03% of the issued share capital of C & H Co., Ltd. which owned 382,850,000 Shares. In addition, Kyoo Yoon Choi beneficially owns 100% of interest of Uni-Link Technology Limited which owned 72,150,000 Shares.
- (3) The wife of Kyoo Yoon Choi, Woul Hee Cha, holds approximately 24.12% of the issued share capital of C & H Co., Ltd.

(ii) Long positions in underlying shares of the company

The Directors and chief executive of the Company have been granted options under the Company's share option scheme, details of which are set out in the section "Share option scheme" below. Save as disclosed above, none of the Directors or any of their spouses or children under 18 years of age has any interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(iii) Share option scheme

The Company has a share option scheme which was adopted on 22 January 2002 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the company.

The total number of securities available for issue under the share option scheme as at 31 December 2009 was 46,471,000 shares (including options for 10,546,000 shares that have been granted but not yet lapsed or exercised) which represented 6.95% of the issued share capital of the company at 31 December 2009. The number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's Shares in issue.

As at the Latest Practicable Date, the Directors and employees of the Company had the following interests in options to subscribe for Shares granted at nominal consideration under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one Share.

	Date granted	Period during which options exercisable (Note 1)	Exercise price per share	Balance as at the Latest Practicable Date
Directors:				
Young M. Lee	7 February 2002	7 February 2003 to 7 February 2012	HK\$1.18	1,360,000
James Chuan Yung Wang	7 February 2002	7 February 2003 to 7 February 2012	HK\$1.18	520,000
				1,880,000

Notes:

- (1) The maximum percentage of the share options that may be exercised is determined in stages as follows:

Percentage of share options granted

On or after 1st year anniversary of the date of grant	30%
On or after 2nd year anniversary of the date of grant	another 30%
On or after 3rd year anniversary of the date of grant	another 40%

- (2) Pursuant to the conditions of the share option scheme, any unexercised number of options granted to any employee will lapse three months after the employee ceases the employment relationship with the company.
- (3) The options granted to the Directors are registered under the names of the Directors who are also the beneficial owners.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The following sets out the Directors who, as at the Latest Practicable Date, were also directors or employees of the companies which have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of companies of which the Directors were also directors or employees	Capacity in which Shares held	Number of Shares held	Percentage of the issued share capital of the Company
C & H	Beneficial owner	382,850,000	57.27%
Uni-Link Technology Limited	Beneficial owner	72,150,000	10.79%

Kyoo Yoon Choi, being a director of C & H together with his wife, Woul Hee Cha, hold approximately 61.03% of the issued share capital of C & H and Kyoo Yoon Choi beneficially owns 100% of the issued share capital of Uni-Link Technology Limited. Kyoo Yoon Choi is considered to have deemed interests in the 455,000,000 Shares as to approximately 68.06% of the issued shares of the Company.

James Chuan Yung Wang, being a Director of the Company, is also a director of Uni-Link Technology Limited.

IV. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

- (a) As at the Latest Practicable Date, save as disclosed herein, none of the Directors had any interest, direct or indirect, in any assets which have, since 31 December 2009, being the date of the latest published audited accounts of the Group, been acquired or disposed of or by or leased to any member of the Group, or are proposed to be acquired or disposed of or by or leased to any member of the Group.
- (b) As at the Latest Practicable Date, save as disclosed herein, none of the Directors was materially interested in any contract or arrangement subsisting at such date and which was significant in relation to the business of the Group taken as a whole.

V. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group which does not expire or is not terminable by such member of the Group within one year without payment of compensation, other than statutory compensation.

VI. COMPETING INTERESTS

As at the Latest Practicable Date, C & H Group, as set out below, is principally engaged in the business of sale of Toy and Tarpaulin products and investment holding in the PRC, Vietnam and Sri Lanka through its wholly owned subsidiaries C & H Hitex Co., Ltd., Jung Yoon Textiles (Private) Ltd, Vina Tarpaulin Inc. and C & H Lanka (PVT) Ltd. Mr Kyoo Yoon Choi is deemed to be interested in these businesses, some of which may compete with the Group’s businesses as he is a shareholder and a director of C & H Co., Ltd.

Name of company	Nature of competing business	Remarks
C & H Lanka (PVT) Ltd. ("C & H Lanka")	C & H Lanka is a wholly owned subsidiary of C & H. The directors of C & H Lanka are Mr Kyoo Yoon Choi, Ms Shin Hee Cha, and Mr Young Dae Noh. C & H Lanka was engaged in the manufacturing of plush stuffed toys in Sri Lanka and is undergoing windingup procedures. The local court has appointed liquidators Mr J David & M.S. layawickrama of MS SMIS Associates as directors of the company.	Pursuant to the Deed of Undertaking (Note), C & H Lanka agreed not to engage or otherwise be involved in any business which competes or is likely to compete with the Group’s business in any of the regions that the Group engages business in. Its business was limited to production of quota related plush stuffed toys and orders that could not be handled by the Group.

Name of company	Nature of competing business	Remarks
Jung Yoon Textiles (Private) Ltd (“JY Textile”)	JY Textile is a wholly owned subsidiary of C & H. The directors of JY Textile are Mr Kyoo Yoon Choi and Mr Kyung Soon Song. JY Textile is engaged in the manufacturing and dyeing of fabrics.	JY Textile is engaged in the manufacturing of fabrics and dyeing of fabrics for local customers in Sri Lanka.

Note:

In relation to the listing of the Company’s shares on the Main Board of the Stock Exchange, C & H. entered into a Deed of Undertaking in favour of the Company to the effect that for so long as C & H and its associates are beneficially interested, directly or indirectly, whether individually or taken together, in 30% or more of the issued capital of the Company, C & H. will not, and C & H . will procure that none of its subsidiaries, other than the Group, will engage or otherwise be involved in any business which competes or is likely to compete, either directly or indirectly, with any of the restricted business in any of the regions in which the Group engages in and undertakes the restricted business (such regions include Taiwan, other areas of the PRC, Europe, the US and Japan). Such an undertaking shall extend to all subsidiaries of C & H Group.

VII. EXPERT

The following is the qualification of the expert which has given advice contained in this circular:

Name	Qualification
Ample Capital Limited	A licensed corporation under the SFO, licensed to conduct types 4, 6 and 9 (advising on securities, advising on corporate finance and asset management respectively) regulated activities

The Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

The letter given by the Independent Financial Adviser is given as of the date of this circular for incorporation herein. The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and letter in the form and context in which it appears.

VIII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

IX. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company at 8th Floor, Tower 5, China HK City, 33 Canton Road, Tsimshatsui Kowloon, Hong Kong, for 14 days from the date of this circular:

- (a) The memorandum and articles of association of the Company;
- (b) The Supply Agreement entered into between the Company and C & H Co. Ltd.;
- (c) The Commission Agreement entered into between the Company and C & H Co. Ltd.;
and
- (d) This Circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



DREAM INTERNATIONAL LIMITED

德林國際有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1126)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of Dream International Limited (the “**Company**”) will be held at at Imperial Room IV, Tower Wing, Mezzanine Floor, The Royal Pacific Hotel and Towers Hong Kong, 33 Canton Road, China Hong Kong City, Tsimshatsui, Kowloon, Hong Kong on 23 July 2010 at 11.00 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

- (1) “**THAT** the sale of raw materials by the Group to C & H Vina Co. Ltd for the financial year ended 31 December 2009 as set out in the section headed “SALE OF RAW MATERIALS BY THE GROUP TO C & H VINA FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009” in the Letter from the Board contained in the circular to the shareholders of the Company dated 22 June 2010 (the “**Circular**”) of which this notice of meeting forms part be and is hereby confirmed, ratified and approved.”
- (2) “**THAT** the Supply Agreement, entered into between the Company and C & H Co. Ltd., which the Company agreed that any member of the Group shall sell and C & H Co. Ltd., agreed that any member of the C & H Group shall purchase such quantities of plush stuffed toy, steel and plastic toy and other toy products as may be ordered by any member of the C & H Group at such price as the parties may agree from time to time, subject to the terms of the Supply Agreement, a copy of which has been produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, the Company’s entry into or carrying out of the related transactions as contemplated under the Supply Agreement, and the implementation, exercise or enforcement of any of the rights, and performance of any of the obligations under the Supply Agreement, and/or the related transactions as contemplated thereunder be and are hereby approved.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) “**THAT** the Commission Agreement, entered into between the Company and C & H Co., which the Company shall by itself or through any of its subsidiaries, on behalf of the C & H Group, receive and process payment of products sold by C & H Group to such customers of the Company as the Company may agree, subject to the terms of the Commission Agreement, a copy of which has been produced to this meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification, the Company’s entry into or carrying out of the related transactions as contemplated under the Commission Agreement, and the implementation, exercise or enforcement of any of the rights, and performance of any of the obligations under the Commission Agreement, and/or the related transactions as contemplated thereunder be and are hereby approved.”
- (4) “**THAT** any two executive directors of the Company be and are hereby authorised to execute all such documents and deeds (and if necessary apply the common seal of the Company thereto) and do and authorise all such acts, matters and things as they may in their discretion consider necessary or desirable on behalf of the Company for the purpose of implementing, and otherwise in connection with, the above resolutions and the transactions contemplated thereunder.”

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

Hong Kong, 22 June 2010

Principal Place of Business in Hong Kong:

8th Floor, Tower 5, China HK City

33 Canton Road, Tsimshatsui

Kowloon, Hong Kong

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of himself. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. But if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. Seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.
- (3) In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company’s principal place of business in 8th Floor, Tower 5, China HK City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
- (4) Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.