

Dynamic Colours Limited
Incorporated in the Republic of Singapore
(Company registration no. 199304233Z)
Half Year 2016 Financial Statement and Dividend Announcement
For the year ended 30 June 2016



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1.	Unaudited Financial Statements – 30 June 2016
1.(a)(i)	Statement of Comprehensive Income (Group) (An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year)

	Group		% Changes
	1H 2016	1H 2015	
	US\$'000	US\$'000	
Revenue	19,285	27,595	(30.1)
Cost of sales	(15,589)	(24,497)	(36.4)
Gross profit	3,696	3,098	19.3
Other income	246	239	2.9
Distribution expenses	(393)	(541)	(27.4)
Administrative expenses	(1,420)	(1,243)	14.2
Other operating expenses	(118)	(48)	145.8
Results from operating activities	2,011	1,505	33.6
Finance income	178	68	161.8
Finance costs	(7)	(218)	(96.8)
Finance income/(costs), net	171	(150)	214.0
Profit before income tax	2,182	1,355	61.0
Income tax expense	(393)	(148)	165.5
Profit for the period	1,789	1,207	48.2
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	(17)	6	383.3
	1,772	1,213	46.1
Profit attributable to:			
Owner of the company	1,789	1,212	47.6
Non-controlling interests	-	(5)	(100.0)
Profit for the period	1,789	1,207	48.2
Total comprehensive income attributable to:			
Owners of the company	1,772	1,218	45.5
Non-controlling interests	-	(5)	(100.0)
Total comprehensive income for the period	1,772	1,213	46.1

1.(a)(ii) Notes to the Statement of Comprehensive Income (Group)

	Group		% Changes
	1H2016	1H2015	
	US\$'000	US\$'000	
Allowance for inventory obsolescence	-	(33)	(100.0)
Depreciation of property, plant and equipment	(549)	(864)	(36.5)
Profit on disposal of property, plant and equipment	45	46	(106.5)
Amortisation of intangible assets	(3)	(3)	-
Amortisation of lease prepayments	(4)	(4)	-
Finance income:			
Interest income	17	68	(75.0)
Foreign exchange gain	161	-	N.M.
	178	68	
Finance costs:			
Term loans	(5)	(24)	(79.2)
Trust receipts	(2)	(56)	(87.5)
Foreign exchange loss	-	(138)	(100.0)
	(7)	(218)	(96.8)
Net finance income/(costs)	171	(150)	214.0
Income tax expense:			
Current tax expense	(392)	(139)	182.0
Deferred tax expense	(1)	5	(120)
Over provision in prior years	-	(14)	100.0
	(393)	(148)	165.5

1.(b)(i)	Statement of Financial Position (Group and Company)
	Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment	17,077	17,011	-	-
Lease prepayments	682	688	-	-
Intangible assets	10	13	-	-
Subsidiaries	-	-	9,534	9,534
	17,769	17,712	9,534	9,534
Current assets				
Inventories	5012	5,501	-	-
Trade and other receivables	7,565	6,795	7,717	8,197
Prepayments	355	340	35	1
Cash and cash equivalents	9,540	11,430	2,078	4,834
	22,472	24,066	9,830	13,033
Total assets	40,241	41,778	19,364	22,566
Equity				
Share capital	18,822	18,822	18,822	18,822
Reserves	2,860	2,877	152	152
Retained earnings	9,497	13,086	(4,271)?	45
Equity attributable to owners of the company	31,479	34,785	14,703	19,252
Non-controlling interest	-	-	-	-
	31,479	34,785	14,703	19,252
Non-current liabilities				
Deferred tax liabilities	1,048	1,030	-	-
	1,048	1,030	-	-
Current liabilities				
Trade and other payables	5,090	4,573	2,743	2,345
Interest bearing financial liabilities	1,894	969	1,831	969
Current tax payable	730	421	87	-
	7,714	5,963	4,661	3,314
Total liabilities	8,762	6,993	4,661	3,314
Total equity and liabilities	40,241	41,778	19,364	22,566

1.(b)(ii) Aggregate amount of Group's Borrowings and Debt Securities

Details of Group's liabilities	As at 30 June 2016			As at 31 December 2015		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less, or on demand						
Interest bearing liabilities	62	1,832	1,894	-	969	969
Amount repayable after one year						
Interest bearing liabilities	-	-	-	-	-	-

1.(c)	Statement of Cash Flows (Group)
	Consolidated statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1H 2016 US\$'000	1H 2015 US\$'000
Operating activities		
Profit before tax for the period	2,182	1,355
Adjustment for:-		
Amortisation of intangible assets	3	3
Amortisation of lease repayments	4	4
Depreciation of property, plant and equipment	549	864
Gain on disposal of property, plant and equipment	(45)	(46)
Property, plant and equipment written off	4	-
Allowance for inventory obsolescence	-	33
Interest expense	7	80
Interest income	(17)	(68)
Property, plant and equipment written off	-	133
	2,687	2,358
Changes in working capital:		
Inventories	490	(7)
Trade and other receivables	(770)	1,953
Prepayments	(15)	1,350
Trade and other payables	626	465
Cash generated from operations	3,018	6,119
Income tax paid	(116)	(87)
Net cash from operating activities	2,902	6,032
Investing activities		
Interest received	17	68
Proceeds from disposal of property, plant and equipment	45	-
Acquisition of property, plant and equipment	(587)	(2,039)
Net cash used in investing activities	(525)	(1,971)
Financing activities		
Dividends paid	(5,078)	(2,336)
Interest paid	(7)	(80)
Proceeds from short term loans	4,741	5,373
Repayment of short term loans	(3,879)	(4,172)
Proceeds from trust receipts	715	5,467
Repayment of trust receipts	(824)	(4,805)
Net cash used in financing activities	(4,332)	(553)
Net (decrease)/increase in cash and cash equivalents	(1,955)	3,508
Cash and cash equivalent at beginning of the period	11,251	9,281
Effect of exchange rate fluctuations on cash held	54	12
Cash and cash equivalents at end of the period	9,350	12,801
Cash at bank and in hand	9,540	12,629
Fixed deposits with banks	-	373
Cash and cash equivalents in the statement of financial position	9,540	13,002
Deposit pledge by Huiye Polymer (M) Sdn. Bhd. For banker's guarantee	(190)	(201)
Cash and cash equivalents in the statement of cash flows	9,350	12,801

1.(d)(i)	Statement of Changes in Equity (Group and Company)
	A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital	Currency Translation Reserve	Statutory Reserve	Share- based payment reserve	Retained earnings	Total equity attributable to the owner of the company US\$'000	Non- controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group								
At 1 January 2016	18,822	1,045	1,680	152	13,086	34,785	-	34,785
Comprehensive income for the period								
Profit for the period	-	-	-	-	1,789	1,789	-	1,789
Foreign currency translation differences	-	(17)	-	-	-	(17)	-	(17)
Total comprehensive income for the period	-	(17)	-	-	1,789	1,772	-	1,772
Transactions with owners								
Dividend paid	-	-	-	-	(5,078)	(5,078)	-	(5,078)
Total transactions with owners	-	-	-	-	(5,078)	(5,078)	-	(5,078)
At 30 June 2016	18,822	1,028	1,680	152	9,797	31,479	-	31,479
At 1 January 2015	18,822	1,420	1,680	152	9,143	31,217	129	31,346
Comprehensive income for the period								
Profit for the period	-	-	-	-	1,212	1,212	(5)	1,207
Foreign currency translation differences	-	6	-	-	-	6	-	6
Total comprehensive income for the period	-	6	-	-	1,212	1,218	(5)	1,213
Transactions with owners								
Dividend paid	-	-	-	-	(2,336)	(2,336)	-	(2,336)
Total transactions with owners	-	-	-	-	(2,336)	(2,336)	-	(2,336)
At 30 June 2015	18,822	1,426	1,680	152	8,019	30,099	124	30,223

Company	Share capital US\$'000	Share-based payment reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
At 1 January 2016	18,822	152	278	19,252
Comprehensive income for the period				
Profit for the period	-	-	529	529
Total comprehensive income for the period	-	-	529	529
Transactions with owners				
Dividend paid	-	-	(5,078)	(5,078)
Total transactions with owners	-	-	(5,078)	(5,078)
At 30 June 2016	18,822	152	(4,271)	14,703
At 1 January 2015	18,822	152	2,640	21,614
Comprehensive income for the period				
Profit for the period	-	-	(259)	(259)
Total comprehensive income for the period	-	-	(259)	(259)
Transactions with owners				
Dividend paid	-	-	(2,336)	(2,336)
Total transactions with owners	-	-	(2,336)	(2,336)
At 30 June 2015	18,822	152	45	19,019

1.(d)(ii)	Statement of Changes in Equity (Group and Company) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.
	There is no change in the Company's share capital for the financial year ended 31 December 2015 and for the period ended 30 June 2016.
1.(d)(iii)	Number of Issued Shares excluding Treasury Shares (The total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.)
	Total number of issued shares as at 30 June 2016 209,971,310
	Total number of issued shares as at 31 December 2015 209,971,310
1.(d)(iv)	Sales, Transfers, Disposals, Cancellations and/or use of Treasury Shares (A statements showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.)
	Not applicable.
2.	Audit – Whether figures have been audited or reviewed (Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.)
	The financial information have not been audited or reviewed by the Company's auditors.
3.	Auditors' report (if audited) (Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter.)
	Not applicable.
4.	Accounting Policies (Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.)
	Other than the adoption of the new and revised Financial Reporting Standards (FRS) as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements for the year ended 31 December 2015.
5.	Changes in accounting Policies (if there are any changes in the accounting policies and methods of computation, including any required by and accounting standard, what has changed
	In the current financial period, the Group and the Company have adopted all the new and revised Financial Reporting Standards (FRSs) and Interpretations of FRSs (INT FRSs) that are relevant to its operations and effective annual periods beginning on 1 January 2016. The adoption of these new/revised FRSs and INT FRSs does not result in substantial changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior periods.

6.	Earnings per ordinary share (Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.)
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	Group	
	1H2016	1H2015
-Profit attributable to owners of the Company (US\$'000)	1,789	1,212
Number of ordinary shares ('000)		
As at 1 January	209,971	209,971
Issued during the year	-	-
As at 30 June	209,971	209,971
Earnings per ordinary share (US\$):		
(a) Based on actual number of ordinary shares on issue (cents)	0.85	0.58
(b) On a fully diluted basis (cents)	0.85	0.58
Earnings per ordinary share (S\$ equivalent)*		
(a) Based on actual number of ordinary shares on issue (cents)	1.17	0.78
(b) On a fully diluted basis (cents)	1.17	0.78
*S\$ equivalent, based on US\$ 1 = S\$1.381 (2015 US\$ = S\$1.349)		

7.	Net asset value per ordinary share (Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: (a) Current financial period reported on; and (b) Immediately preceding financial year.)
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	Group		Company	
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
Net assets (US\$'000)	31,479	34,785	14,703	19,252
Number of ordinary shares ('000)	209,971	209,971	209,971	209,971
Net asset value per share:				
- in US cents	14.99	16.57	7.00	9.17
- in Singapore cents*	20.70	22.38	9.67	12.94
*S\$ equivalent, based on US\$ 1 = S\$1.381 (2015 US\$ = S\$1.411)				

8.	Review of performance of the Group A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) Any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.)
	Half year ended 30 June 2016 ("1H2016") compared to the half year period ended 30 June 2015 ("1H2015") (all figures are in US\$)

	Overview of Group's business The core businesses of Dynamic Colours Group ("the Group") are resin compounding and polyethylene packaging. Currently, our resin compounding ("RC") segment comprises our wholly owned subsidiaries in Suzhou, Vietnam and Malaysia, namely, Suzhou Huiye Plastic Industry Co., Ltd ("SHP"), Suzhou Huiye Chemical & Light Industry Co., Ltd ("SHC"), Huiye Vietnam Plastic Co., Ltd ("HVP") and Huiye Polymer (M) Sdn Bhd ("HPM"). Our polyethylene packaging ("PP") segment is represented by SL Packaging Industries Pte Ltd ("SLP") in Singapore and HPM in Malaysia. The Group's injection moulding ("IM") business in Vietnam ceased operations in July 2015. In 1H2016, our RC segment accounted for 51.6% of the total Group revenue (1H2015: 57.4%) and 48.4% (1H2015: 36.2%) was contributed by the PP segment. IM business was discontinued in FY2015 and contributed 6.4% of Group revenue in 1H2015.
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	Statement of Comprehensive Income Group revenue decreased by US\$8.31 million or 30.1% from US\$27.60 million in 1H2015 to US\$19.29 million in 1H2016. Revenue for RC segment declined by 37.1%, from US\$15.83 million to US\$9.96 million. The lower revenue is due to a decrease in RC production tonnage by 25.7% to 6,124MT and average selling price by 15.4% to US\$1,626 per tonnage. The PP segment revenue decreased by 6.6% from US\$9.99 million to US\$9.33 million despite an increase in production tonnage by 4.0%. The reduction was mainly due to lower average selling price, down by 9.9%. The IM segment ceased operations in July 2015. Cost of sales fell 35.0% to US\$15.59 million in 1H2016 from US\$24.50 million in 1H2015, resulting in a gross profit margin of 19.2% in FY2016 versus 11.2% in 1H2015. Other income increased from US\$239K in 1H2015 to US\$246K in 1H2016 and comprises : (a) Rental income US\$74K for 1H2016. (b) Sale of raw materials and scraped fixed assets at US\$127K. (c) Profit on disposal of fixed assets at USD45K. Distribution expenses decreased by 27.4% from US\$541K to US\$393K mainly due to lower manpower numbers in Singapore and lower freight costs in China as a result of RC's lower sales volume. Administrative expenses increased from US\$1.24 million in 1H2015 to US\$1.42 million
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	in 1H2016. This was due to employee compensation of US\$274K as a result of a reduction in staff numbers in the China entity, partially offset by a reduction in staff cost, property tax and professional fees. Other operating expenses increased by US\$70K from US\$48K in 1H2015 to US\$118K in 1H2016 mainly due to cost of stock written off and cost of sold for raw materials. Interest income from fixed deposits decreased from US\$68K to US\$17K due to a lower average level of such deposits. On the other hand, foreign exchange differences swung from a net loss of US\$138K to a net gain of US\$161K. Hence, finance income comprising fixed deposit interest income and foreign exchange gains increased from US\$68K to US\$178K. Finance cost, comprising interest expense and net exchange losses, saw a decline from US\$218K to US\$7K, mainly due to lower interest expense on decreased trade financing for imports and the Group had a net foreign exchange gain instead of a net loss. As a result of the above, the Group's profit for the year increased by 20.5% from US\$1.21 million in 1H2015 to US\$1.79 million in 1H2016.
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	Statement of Financial Position The increase in property, plant and equipment from US\$17.01 million to US\$17.08 million was the result of depreciation charge for the period and offset by addition to the cost of building under construction in Vietnam. The value of inventories decreased from US\$5.50 million to US\$5.01 million owing to the decline in quantities and prices of raw material purchased based on both price and future usage considerations. The increase in trade and other receivables from US\$6.80 million to US\$7.57 million was in line with lower sales recorded towards the end of 1H2016 as well as an increase in receivable days. The increase in trade and other payables from US\$4.57 million to US\$5.09 million was in line with the decline in value of raw material purchases coupled with the faster payment of trust receipts. Interest bearing liabilities increased from US\$969K to US\$1.89 million due to an increase in bridging loans for working capital purposes.
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	Statement of Cash Flows Cash and cash equivalents decreased by US\$3.45 million, from US\$12.80 million to US\$9.35 million. The Group achieved a positive cash flow from its operating activities of US\$2.90 million compared with a net profit before tax of US\$2.18 million. The excess of cash over profit was caused mainly by the decrease in inventories and increase in trade and other payables during 1H 2016 but offset by the increase in trade and other receivables. There was net cash outflow of US\$525K from investing activities, largely as a result of construction costs in Vietnam. The net cash outflow of US\$4.33 million in financing activities was the result of outflows for dividend payments, repayment of short term loans and trust receipts, offset by proceeds from short term loans and trust receipts.
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	Liquidity and Capital Resources
	As at 30 June 2016, the Group's net current assets was US\$14.76 million (31 December 2015: US\$18.10 million), with a current ratio of 2.91 as compared to 4.04 as at 31 December 2015. The net working capital cycle increased to 71 days as at 30 June 2016 from 63 days as at 31 December 2015 due to the following factors: (i) Inventories, in terms of stock turnover days, increased to 59 days (31 December 2015 : 46 days) and (ii) Trade receivables, in terms of debtors turnover days, increased to 72 days (31 December 2015: 48 days). And offset by (iii) Trade payables, in terms of creditors turnover days, increased to 60 days (31 December 2015: 31 days).

9.	Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.
	No forecast or prospect statement has been previously disclosed to shareholders.

10.	A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and in the next 12 months.
	Overall business conditions are expected to remain challenging with uncertainties and volatility persisting in the oil and currency markets. RC segment is experiencing weakening demand while PP segment is more stable. Management will continue to remain vigilant and monitor the operations closely.

11.	Dividends
	(a) Current Financial Period Reported on?
	Any dividend declared for the current financial period reported on?
	None.

(b) Corresponding period of the immediately Preceding Financial Year

Final dividends FY 2015 (Paid)

Name of Dividend	Final Dividend 2015
Dividend Type	Ordinary
Dividend Amount per Share	S\$0.0075 per share
Par Value of Shares	N.A.
Tax Rate	Tax exempt (1 tier)
Date Declared/Announced	24 Feb 2016
Books Closure Date	3 May 2016
Date to be paid	13 May 2016
Amount paid in Singapore dollars	S\$1.57 million

Final dividends FY 2015 (Paid)

Name of Dividend	Special Dividend 2015
Dividend Type	Ordinary
Dividend Amount per Share	S\$0.025 per share
Par Value of Shares	N.A.
Tax Rate	Tax exempt (1 tier)
Date Declared/Announced	24 Feb 2016
Books Closure Date	3 May 2016
Date to be paid	13 May 2016
Amount paid in Singapore dollars	S\$5.25million

Interim dividends FY 2015 (Paid)

Name of Dividend	Interim Dividend 2015
Dividend Type	Ordinary
Dividend Amount per Share	S\$0.0075 per share
Par Value of Shares	N.A.
Tax Rate	Tax exempt (1 tier)
Date Declared/Announced	12 Aug 2015
Books Closure Date	15/Sep/15
Date to be paid	25/Sep/15
Amount paid in Singapore dollars	S\$1.57 million

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12.	If no dividend has been declared/recommended, a statement to that effect.	
	Not applicable.	
13.	Interested Person Transactions (If the Group has obtained a general mandate from shareholders for the IPTs, the aggregate value of such transactions as required under Rule 920 (1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.)	
	There is no general mandate from shareholders. The value of IPT is below the threshold prescribed under Part III of Chapter 9 of Listing Manual.	
	Pursuant to Listing Rule 720(1), the Company has received revised Letter of Undertakings from all its directors and executive officers in the form as set out in Appendix 7.7 of the SGX-ST Listing Manual.	
14.	Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual	
	To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the second quarter financial statements for the period ended 30 June 2016, to be false or misleading in any material respect.	
	On behalf of the Board of Directors,	
	Yeo Hock Leng Executive Chairman and Group Managing Director	Goh Seok Eng Deputy Group Managing Director and Technical Director
15.	Confirmation that the issuer had procured undertaking from all its directors and all its executive officers (in the format set out in under Paragraph 7.7) under Rule 720(1).	
	The Company has procured the revised undertakings from all directors and from executive officers in the format set out in Appendix 7.7 under Rule 720(1).	
	BY ORDER OF THE BOARD	
	Yeo Hock Leng Executive Chairman and Group Managing Director	
	10 August 2016	