

DYNAMIC COLOURS LIMITED
(Company Registration No. 199304233Z)
(Incorporated in the Republic of Singapore)
(the "**Company**")

PROPOSED SALE OF 55A YISHUN INDUSTRIAL PARK A SINGAPORE 768729

1. INTRODUCTION

The board of directors ("**Board**") of the Company (together with its subsidiaries, the "**Group**") is pleased to announce that the Company's wholly-owned subsidiary, S.L. Packaging Industries Pte. Ltd. ("**SLPI**") had on 22 April 2015 granted an option to purchase ("**OTP**") to NK Ceramic Pte. Ltd. (the "**Purchaser**") in respect of the proposed sale (the "**Proposed Sale**") of the property known as "55A Yishun Industrial Park A Singapore 768729" (the "**Property**").

On 6 May 2015 (the "**OTP Exercise Date**"), the Purchaser duly exercised the OTP and a binding contract for the Proposed Sale on the terms and conditions set out in the OTP came into force.

2. INFORMATION RELATING TO THE PROPERTY

The Property, which is held by SLPI, comprises one (1) land lot (being a 30-year leasehold estate commencing on 1 January 1992 and an option to renew for a further 30 years) and the building(s) erected thereon.

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014 (the "**Audited FY2014 Results**"), the book value of the Property is US\$2,339,023 (the "**Book Value**") and the net tangible asset value of the Property is also US\$2,339,023.

In view of the Proposed Sale, SLPI had commissioned an independent valuation of the Property by Jones Lang LaSalle Property Consultants Pte Ltd to determine the latest open market value of the Property. The valuation report issued by Jones Lang LaSalle Property Consultants Pte Ltd and dated 14 April 2015 (the "**Valuation Report**") has valued the Property at S\$12,000,000 as at 14 April 2015 on an open market value basis.

3. INFORMATION RELATING TO THE PURCHASER

The Purchaser is a Singapore incorporated company and is involved in the business of manufacturing and supplying tiles and the provision of related services in Singapore.

4. SALIENT TERMS OF THE PROPOSED SALE

The key terms of the Proposed Sale, as set out in the OTP, are as follows:

4.1 Consideration for the Proposed Sale

The total consideration ("**Consideration**") payable for the acquisition of the Property shall be S\$9,800,000.00 (together with the applicable goods and services tax ("**GST**"), for which the Purchaser shall also be liable), payable entirely in cash.

As at the date of this announcement, the Purchaser has paid SLPI a total deposit of S\$980,000.00 (representing 10% of the Consideration), together with the applicable GST. The balance of the Consideration of S\$8,820,000.00 (being 90% of the Consideration), together with the applicable GST, shall be paid by the Purchaser on completion of the Proposed Sale pursuant to the OTP ("**Completion**").

The Consideration was arrived at on a willing-seller, willing-buyer basis after arms' length negotiations between SLPI and the Purchaser, after taking into account, amongst other things, (a) the present use of the property by SLPI, (b) the prevailing market conditions for similar properties, (c) other offers of interest received for the Property, (d) the book value and the net tangible asset value of the Property, (e) the open market value of the Property as set out in the Valuation Report, and (f) the rationale for and benefits of the Proposed Sale (described in more detail in paragraph 5 below).

4.2 Expected Completion Date

Subject to the fulfilment of the Conditions (as defined below), the Company expects Completion to take place on 29 July 2015 or two (2) weeks from the date of receipt of the HDB Approval (as defined hereinafter) by SLPI, whichever is the later date (unless parties mutually agree otherwise) (the "**Expected Completion Date**").

4.3 Conditions Precedent

Completion is subject to the following conditions ("**Conditions**") being fulfilled:

- (a) the approval of the shareholders of the Company ("**Shareholders**") for the Proposed Sale, at an extraordinary general meeting of the Company ("**EGM**") to be convened, being granted no later than the Expected Completion Date (or such other date as may be mutually agreed between SLPI and the Purchaser in writing);
- (b) the approval of the Housing and Development Board ("**HDB**") to the assignment / transfer of the Property from SLPI to the Purchaser being obtained by SLPI ("**HDB Approval**"); and
- (c) the consent of the HDB in relation to the change of the current authorised use of the Property being obtained by the Purchaser.

4.4 Condition of the Property

Pursuant to the OTP, the Property is sold "as is, where is" and the Purchaser having inspected the Property shall be deemed to have satisfied itself as to the present state and condition and whether as regards area, access, repair, light, air and drainage and in all other respects and shall accept the Property in the state and condition in which it shall be at the Expected Completion Date and no warranty on the part of the Vendor is given or is to be implied as to the correctness of description or suitability for any particular purpose or

purposes or condition or state of repair and the Purchaser shall have no claim of any kind whatsoever in respect of any defects or deficiencies which may exist at the date of the OTP or may become apparent at any time thereafter and the Purchaser shall not be entitled to make or raise any enquiry requisition or objection whatsoever in respect thereof.

4.5 Key Undertakings

SLPI shall apply to the HDB for the HDB Approval and the Purchaser shall render to SLPI all assistance necessary (including furnishing such documents and information required to be submitted to the HDB and any other competent authorities) in connection to SLPI's application for the HDB Approval.

5. **RATIONALE FOR AND BENEFITS OF THE PROPOSED SALE AND INTENDED USE OF PROCEEDS**

The Company has, in the first quarter of 2015, moved its operations from the Property to Johor and accordingly, the Proposed Sale would allow the Group to consider other investment opportunities which would serve to enhance the overall value and growth potential of the Group.

The Proposed Sale will enable the Group to crystallise an estimated capital gain of US\$5,065,027 from the Property, which represents a 216% premium to the book value of US\$2,339,023 of the Property as at 31 December 2014 (based on the Audited FY2014 Results). The Consideration paid will be in excess of the historical cost of the Property of US\$5,541,152 by US\$1,862,898. The Company will seek to re-deploy the proceeds from the Proposed Sale into other investment opportunities.

6. **FINANCIAL EFFECTS OF THE PROPOSED SALE**

The proforma financial effects of the Proposed Sale on the Group as set out below are **for illustrative purposes only** and do not reflect either the actual financial effects of the Proposed Sale on the Group, or the future financial performance and/or position of the Group immediately following the Completion of the Proposed Sale.

Based on the Audited FY2014 Results (being the most recent completed financial year), and assuming the Proposed Sale is effected at the Consideration of S\$9,800,000.00 and the total number of issued ordinary shares in the share capital of the Company ("**Shares**") is 209,971,310:

- (a) had the Proposed Sale been effected on 1 January 2014, the Group's basic earnings per Share ("**EPS**") for the financial year ended 31 December 2014 would have been US\$0.0349 instead of US\$0.0108; and
- (b) had the Proposed Sale been effected on 31 December 2014, the Group's net tangible assets per Share as at 31 December 2014 would have been US\$0.1734 instead of US\$0.1493.

7. **RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL**

Under Chapter 10 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual ("**Listing Manual**") (which governs acquisitions and realisations), where any of the relative figures of an asset purchase or asset sale transaction, computed on the bases in Rule

1006 of the Listing Manual exceeds 20%, that transaction is classified as a "major transaction" and shall be subject to shareholders' approval.

The relative figures for the Proposed Sale computed on the bases set out in Rule 1006 of the Listing Manual, based on the Audited FY2014 Results, are set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the Property compared with the Group's net asset value ⁽¹⁾	7.46%
(b)	Net profits attributable to the Property compared with the Group's net profits ⁽²⁾	59.48%
(c)	Aggregate value of the Consideration compared with the market capitalisation of the Company as at 5 May 2015 ⁽³⁾	22.22%
(d)	Number of equity securities issued by the Company as consideration for the Proposed Sale, compared with the number of equity securities previously in issue	Not applicable
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:

- (1) *Based on the net asset value of the Property as at 31 December 2014 of approximately US\$2,339,023, divided by the Group's net asset value as at 31 December 2014 of approximately US\$31,346,438.*
- (2) *Based on the net profit value attributable to the Property for the financial year ended 31 December 2014 of approximately US\$1,357,893, divided by the Group's net profit for the financial year ended 31 December 2014 of approximately US\$2,283,004.*
- (3) *Based on the Consideration of S\$9,800,000.00, divided by the market capitalisation of the Company of approximately S\$44,093,975.10 (based on the volume weighted average price of the Shares transacted of S\$0.2100 on 5 May 2015, being the market day immediately preceding the OTP Exercise Date).*

Having regard to the above, the Proposed Sale constitutes a "Major Transaction" under Rule 1014 of the Listing Manual and accordingly, Shareholders' approval will be required. The Company will in due course convene an EGM for the purposes of seeking Shareholders' approval for the Proposed Sale.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors of the Company, and to the best of the Directors' knowledge, none of the controlling shareholders of the Company, has any interest, direct or indirect, in the Proposed Sale, save in respect of such Director's / controlling shareholder's interest in Shares (if any).

For the avoidance of doubt, there is no proposal to appoint any person as a director of the Company in connection with the Proposed Sale.

9. GENERAL

9.1 Circular and EGM

A circular, setting out the relevant information in relation to the Proposed Sale, will be issued in due course to Shareholders, together with a notice convening the EGM for the purpose of obtaining Shareholders' approval for the Proposed Sale.

9.2 Documents for Inspection

A copy of each of the OTP and the Valuation Report will be available for inspection at the Company's registered office at 55A Yishun Industrial Park A, SL Building Singapore 768729 during normal business hours for a period of three (3) months from the date of this announcement.

For the purposes of this Announcement, conversion of US\$ into S\$ is based on the exchange rate of US\$1.00 to S\$1.3236, the standard rate applicable to the Group in May 2015, based on the Group's accounting policies and procedures.

By Order of the Board

Yeo Hock Leng
Executive Chairman and Group Managing Director
Dynamic Colours Limited

6 May 2015
Singapore

This Announcement will be available at the Company's website at <http://www.dynamiccolours.com>.

About Dynamic Colours Limited

Incorporated in 1993, Dynamic Colours Limited is principally engaged in the business of colour compounding and modified compounding of resins, which are used in the manufacture of external casings or component parts of electrical appliances and electronic devices. It serves customers such as Hewlett-Packard, Sony, Microsoft and Asus, and has stakes in manufacturing companies that own production facilities in China, Malaysia and Vietnam.