

Dynamic Colours Limited
Incorporated in the Republic of Singapore
(Company registration no. 199304233Z)
Half Year 2018 Financial Statement and Dividend Announcement
For the year ended 30 June 2018



Section	Content	Page
1	Unaudited financial statements – 30 June 2018	
	1.(a)(i) Statement of Comprehensive Income (Group)	2
	1.(a)(ii) Notes to the Statement of Comprehensive Income (Group)	3
	1.(b)(i) Statement of Financial Position (Group and Company)	4
	1.(b)(ii) Aggregate amount of Group's Borrowings and Debt Securities	5
	1.(c) Statement of Cash Flows (Group)	6
	1.(d)(i) Statement of Changes in Equity (Group and Company)	7
	1.(d)(ii) Share Capital	9
	1.(d)(iii) Number of Issued Shares excluding Treasury Shares	9
	1.(d)(iv) Sales, Transfers, Disposals, Cancellations and/or use of Treasury Shares	9
	1.(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on	9
2	Audit - Whether figures have been audited or reviewed	9
3	Auditors' report (if audited)	9
4	Accounting policies	9
5	Changes in accounting policies	10
6	Earnings per ordinary share	10
7	Net asset value per ordinary share	11
8	Review of performance of the Group	11
9	Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results	13
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 the next 12 months.	13
11	Dividend	13
12	If no dividend has been declared/recommended, a statement to that effect	13
13	Interested Person Transactions	14
14	Negative assurance confirmation on interim financial results pursuant to Rule 705(5) of the Listing Manual	14
15	Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).	14

1.	Unaudited Financial Statements – 30 June 2018		
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 2018 US\$'000	1H 2017 US\$'000	
Revenue	20,631	21,933	(5.9)
Cost of sales	(17,886)	(18,530)	(3.5)
Gross profit	2,745	3,403	(19.3)
Other income	245	198	23.7
Distribution expenses	(516)	(450)	14.7
Administrative expenses	(1,260)	(1,130)	11.5
Other operating expenses	(53)	(55)	(3.6)
Net finance (expenses)/income	(62)	49	(226.5)
Profit before tax	1,099	2,015	(45.5)
Income tax expense	(248)	(465)	(46.7)
Profit for the financial year	851	1,550	(45.1)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	(45)	147	(130.6)
	806	1,697	(52.5)
Profit attributable to:			
- Owner of the parent	851	1,550	(45.1)
- Non-controlling interests	-	-	-
	851	1,550	(45.1)
Total comprehensive income attributable to:			
- Owner of the parent	806	1,697	(52.5)
- Non-controlling interests	-	-	-
	806	1,697	(52.5)

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

	Group		% Changes
	1H 2018 US\$'000	1H 2017 US\$'000	
After charging and crediting:			
Depreciation of property, plant and equipment	(788)	(775)	1.7
Gain on disposal of property, plant and equipment	-	3	(100.0)
Amortisation of intangible assets	(1)	(1)	-
Amortisation of lease prepayments	(20)	(9)	122.2
Finance income:			
Interest income	15	10	50.0
Foreign exchange gain, net	-	56	(100.0)
	15	66	(77.3)
Finance expenses:			
Finance lease payable	(1)	(1)	-
Term loans	(4)	-	100.0
Trust receipts	(58)	(16)	262.5
Foreign exchange loss, net	(14)	-	100.0
	(77)	(17)	352.9
Net finance (expenses)/income	(62)	49	(226.5)
Income tax expense:			
Current tax expense	(248)	(465)	(46.7)
Deferred tax expense	-	-	-
	(248)	(465)	(46.7)

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-18	31-Dec-17	30-Jun-18	31-Dec-17
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Property, plant and equipment	15,055	15,588	-	-
Lease prepayments	1,453	1,474	-	-
Intangible assets	2	3	-	-
Investment in subsidiaries	-	-	7,299	7,299
	16,510	17,065	7,299	7,299
Current assets				
Inventories	8,221	8,041	-	-
Trade and other receivables	7,541	7,233	16,251	15,662
Prepayments	151	96	8	5
Cash and cash equivalents	7,437	9,215	1,882	4,445
	23,350	24,585	18,141	20,112
Total assets	39,860	41,650	25,440	27,411
Equity				
Share capital	18,822	18,822	18,822	18,822
Reserves	2,654	2,699	152	152
Retained earnings	10,825	12,353	1,220	3,528
	32,301	33,874	20,194	22,502
Non-current liabilities				
Finance lease payable	22	28	-	-
Deferred tax liabilities	874	866	-	-
	896	894	-	-
Current liabilities				
Trade and other payables	6,444	5,119	5,175	3,684
Bank borrowings	-	1,070	-	1,070
Finance lease payable	11	11	-	-
Current income tax payable	208	682	71	155
	6,663	6,882	5,246	4,909
Total liabilities	7,559	7,776	5,246	4,909
Total equity and liabilities	39,860	41,650	25,440	27,411

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

Details of Group's liabilities	As at 30 June 2018			As at 31 December 2017		
	Secured US\$'000	Unsecured US\$'000	Total US\$'000	Secured US\$'000	Unsecured US\$'000	Total US\$'000
Amount repayable in one year or less, or on demand Interest bearing liabilities	-	3,114	3,114	-	2,720	2,720
Amount repayable in one year or less, or on demand Finance lease payable	11	-	11	11	-	11
Amount repayable after one year Finance lease payable	22	-	22	28	-	28

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 2018 US\$'000	1H 2017 US\$'000
Operating activities		
Profit before tax	1,099	2,015
Adjustments for:-		
Depreciation of property, plant and equipment	788	775
Amortisation of lease prepayments	20	9
Amortisation of intangible assets	1	1
Interest expense	63	17
Interest income	(15)	(10)
Gain on disposal of property, plant and equipment	-	(3)
Property, plant and equipment written off	5	-
Operating cash flows before movements in working capital	1,961	2,804
Changes in working capital:		
Inventories	(180)	(775)
Trade and other receivables	(308)	(1,355)
Prepayments	(55)	(72)
Trade and other payables	(140)	(92)
Deposit pledged	(1)	(9)
Cash generated from operations	1,277	501
Income tax paid	(713)	(484)
Net cash from operating activities	564	17
Investing activities		
Acquisition of property, plant and equipment	(275)	(814)
Interest received	15	10
Proceeds from disposal of property, plant and equipment	-	3
Net cash used in investing activities	(260)	(801)
Financing activities		
Dividends paid	(2,379)	(2,256)
Interest paid	(63)	(17)
Repayment of short term loans	(1,070)	-
Proceeds from trust receipts	6,107	5,658
Repayment of trust receipts	(4,643)	(4,140)
Repayment of finance lease payable	(7)	(5)
Net cash used in financing activities	(2,055)	(760)
Net change in cash and cash equivalents	(1,751)	(1,544)
Cash and cash equivalent at beginning of the financial year	9,022	8,804
Effect of foreign exchange rate changes on cash and cash equivalents	(29)	122
Cash and cash equivalents at end of the financial year (Note 1)	7,242	7,382

Note 1: Cash and cash equivalents per the Statement of Financial Position as at 1H 2018 includes fixed deposits pledged at US\$195K (1H 2017: US\$182K).

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Foreign exchange reserve	Statutory reserve	Share-based payment reserve	Retained earnings	Total equity attributable to the company
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group						
At 1 January 2018	18,822	867	1,680	152	12,353	33,874
Comprehensive income for the period						
Profit for the period	-	-	-	-	851	851
Foreign currency translation differences	-	(45)	-	-	-	(45)
Total comprehensive income for the period	-	(45)	-	-	851	806
Transactions with owners						
Dividend paid	-	-	-	-	(2,379)	(2,379)
Total transactions with owners	-	-	-	-	(2,379)	(2,379)
At 30 June 2018	18,822	822	1,680	152	10,825	32,301
At 1 January 2017	18,822	633	1,680	152	11,271	32,558
Comprehensive income for the period						
Profit for the period	-	-	-	-	1,550	1,550
Foreign currency translation differences	-	147	-	-	-	147
Total comprehensive income for the period	-	147	-	-	1,550	1,697
Transactions with owners						
Dividend paid	-	-	-	-	(2,256)	(2,256)
Total transactions with owners	-	-	-	-	(2,256)	(2,256)
At 30 June 2017	18,822	780	1,680	152	10,565	31,999

	Share capital US\$'000	Share-based payment reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Company				
At 1 January 2018	18,822	152	3,528	22,502
Comprehensive income for the period				
Profit for the period	-	-	71	71
Total comprehensive income for the period	-	-	71	71
Transactions with owners				
Dividend paid	-	-	(2,379)	(2,379)
Total transactions with owners	-	-	(2,379)	(2,379)
At 30 June 2018	18,822	152	1,220	20,194
At 1 January 2017	18,822	152	3,564	22,538
Comprehensive income for the period				
Profit for the period	-	-	363	363
Total comprehensive income for the period	-	-	363	363
Transactions with owners				
Dividend paid	-	-	(2,256)	(2,256)
Total transactions with owners	-	-	(2,256)	(2,256)
At 30 June 2017	18,822	152	1,671	20,645

1.(d)(ii)	Share Capital (Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of 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 2017 and for the period ended 30 June 2018.
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 2018 209,971,310
	Total number of issued shares as at 31 December 2017 209,971,310
1.(d)(iv)	Sales, Transfers, Disposals, Cancellations and/or use of Treasury Shares (A statement 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.
1.(d)(v)	Sales, Transfers, Disposals, Cancellations and/or use of Treasury Shares (A statements showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 has 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.)
	Except 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 2017.

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, as well as the reasons for, and the effect of, the change.)
	The Group has adopted the Singapore Financial Reporting Standards (International) (SFRS(I)s) that is identical to the International Financial Reporting Standards with effect from 1 January 2018. The adoption of SFRS(I)s for the first time for the financial year ending 31 December 2018 does not result in any changes to the Group's and the Company's current accounting policies and no material adjustments are required on transition to this new framework. The Group has adopted SFRS(I) 9 <i>Financial Instruments</i> and SFRS(I) 15 <i>Revenue from Contracts with Customers</i> that are relevant to the Group's operations. The adoption of the new SFRS(I)s does not result in any material changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current financial period or prior financial years.
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.)

	Group	
	1H 2018	1H 2017
Profit attributable to owners of the parent (US\$'000)	851	1,550
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 weighted average number of ordinary shares on issue (cents)	0.41	0.74
(b) On a fully diluted basis (cents)	0.41	0.74
Earnings per ordinary share (S\$ equivalent)*		
(a) Based on weighted average number of ordinary shares on issue (cents)	0.56	1.02
(b) On a fully diluted basis (cents)	0.56	1.02
*S\$ equivalent, based on US\$1 = S\$1.3639 (2017 US\$ = S\$1.3769)		

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.)
-----------	--

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
Net assets (US\$'000)	32,301	33,874	20,194	22,502
Number of ordinary shares ('000)	209,971	209,971	209,971	209,971
Net asset value per share:				
- in US cents	15.38	16.13	9.62	10.72
- in Singapore cents*	20.98	21.57	13.12	14.33
*S\$ equivalent, based on US\$ 1 = S\$1.3639 (2017 US\$1 = S\$1.3370)				

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 2018 ("1H2018") compared to the half year period ended 30 June 2017 ("1H2017") (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.
--	---

	Statement of Comprehensive Income
	Group revenue decreased by US\$1.30M or 5.9%, from US\$21.93M in 1H2017 to US\$20.63M in 1H2018. Revenue for RC segment decreased by 5.1% despite reduction in physical tonnage due to the effect of an increase in selling prices caused by higher material costs. The PP segment revenue decreased by 7.0% due to a decrease in PP sale tonnage. The Group's gross margin correspondingly declined from 15.5% to 13.3% as sales price increases were unable to recoup production cost increases. Other income increased by 23.7% to US\$245K in 1H2018. This is contributed mainly from rental income and stock write-back. Distribution expenses increased by 14.7% to US\$516K due primarily to higher staff cost. Administrative expenses were up by 11.5% to US\$1.26M in 1H2018 consequent to the increase in office administrative expenses and staff costs. 1H2018 reported a net finance expense position of US\$62K as compared to a net finance income of US\$49K for the same period last year. This is represented by bank financing interest and net foreign exchange loss which accounted for a surge by US\$111K or 226.5%. As a result of the above movements, the Group's profit for the year decreased by 45.1% from US\$1.55M in 1H2017 to US\$851K in 1H2018.

	Statement of Financial Position
	The decrease in property, plant and equipment from US\$15.59M to US\$15.06M was mainly due to a combination of Group depreciation charge of US\$788K and partially offset by additions of fixed assets. The increase in trade and other payables by 25.9% to US\$6.44M was mainly due to the increase in the purchase of raw materials financed under bank trade facilities.

	Statement of Cash Flows
	Cash and cash equivalents decreased by US\$1.78M, from US\$9.02M to US\$7.24M. In general, the reduction arose through cash outflows from financing and investing activities which were partly alleviated by cash inflow from operating activities during the period. The profit before income tax of US\$1.10M for the Group increased to operating profit before movements in working capital of US\$1.96M after adjustment for mainly depreciation add-back. As the result of changes in working capital mainly due to increase in inventories, trade and other receivables, income tax payment as well as reduction in the trade and other payables, the net positive cashflow from operating activities was reduced to US\$564K. There was a net cash outflow of US\$260K from investing activities, largely due to the acquisition of property, plant and equipment in Vietnam and Malaysia. The net cash outflow of US\$2.06M in financing activities was the result of dividend payments of US\$2.38M, and repayment of short-term loan, offset by net proceeds from trust receipts.

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.
	The business segments for both RC and PP are likely to remain highly competitive amidst uncertainties and volatility in pricing and market share. The Management will continue to monitor the operations closely.

11.	Dividend
	(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 2017 (Paid)	
Name of Dividend	Final Dividend 2017
Dividend Type	Ordinary
Dividend Amount per Share	S\$0.015 per share
Par Value of Shares	N.A.
Tax Rate	Tax exempt (1 tier)
Date Declared/Announced	23/2/18
Books Closure Date	8/5/18
Date of payment	15/5/18
Amount to be paid in Singapore dollars	S\$3.15 million
Amount in US\$ (for accounting purposes)	US\$2.38 million

	(c) Date payable
	Not applicable.

	(d) Books closure date
	Not applicable.

12.	If no dividend has been declared/recommendeded, a statement to that effect.
	Not applicable.

13.	Interested Person Transactions
------------	---------------------------------------

	(If the Group has obtained a general mandate from shareholders for 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.

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 2018, 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 has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).	
	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.	

	ON BEHALF OF THE BOARD	
	Yeo Hock Leng Executive Chairman and Group Managing Director	
	10 August 2018	