

DYNAMIC COLOURS LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 199304233Z

COMPULSORY LAND ACQUISITION OF GROUP'S PREMISES AT WUZHONG DISTRICT, SUZHOU CITY, JIANGSU PROVINCE, CHINA

1. INTRODUCTION

The Board of Directors (the "**Board**") of Dynamic Colours Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to its announcement dated 21 December 2018 (the "**Relocation Notice Announcement**") relating to the Relocation Notice received from the Chengnan Street Office of Wuzhong district, Suzhou (the "**Chengnan Office**").

Capitalised terms not defined herein shall have the same meanings as ascribed to them in the Relocation Notice Announcement.

Further to the Relocation Notice Announcement, the Board wishes to announce that Suzhou Huiye Chemical & Light Industry Co., Ltd. ("**SHC**") and Suzhou Huiye Plastic Industry Co., Ltd ("**SHP**") entered into compensation agreements ("**Compensation Agreements**") on 30 August 2019 with the Chengnan Office in relation to the Chengnan Office's compulsory acquisition of SHC's and SHP's properties as described in paragraph 2 below ("**Compulsory Acquisition**").

*(For the purposes of this announcement, the exchange rate of US\$1 : RMB6.8632 has been used, being the exchange rate applicable as at 31 December 2018, for better comparison with the financial results of the Company for the financial year ended 31 December 2018 ("**FY2018**") referred to in this announcement.)*

2. INFORMATION ON SHC AND SHP, AND THE PROPERTIES COMPULSORILY ACQUIRED

SHC and SHP are the Company's wholly-owned subsidiaries in the business of the manufacture and sale of compounded resins and toll compounding services.

The Compulsory Acquisition by the Chengnan Office involves the following parcels of land:

- (a) Suzhou Wuzhong Economic Development Zone, Ying Chun South Road, No. 96, Land Use Right Document (2011) no. 0630339, owned by SHC; and
- (b) Suzhou Wuzhong Economic Development Zone, Ying Chun South Road, No. 96, Land Use Right Document (2012) no. 0630095, owned by SHP,

(collectively, the "**Land**"), which has an aggregate area of approximately 23,786.5 square metres, together with the buildings erected on the Land ("**Buildings**"), the aggregate floor area of which is approximately 20,098.95 square metres, and the related land use rights. The Buildings are currently used by SHC and SHP for their operations, administration and leasing.

The Group had engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**Valuer**") to conduct an independent valuation of the Land and Buildings. Based on the valuation report of 17 May 2019 issued by the Valuer, the market value of the Land and Buildings was approximately RMB45M as at 24 April 2019. The valuation report stated that the valuation on the Land and Buildings complied with the requirements contained in the Royal Institution of Chartered Surveyors Valuation – Global Standards 2017, Hong Kong Institute of Surveyors Valuation Standards and International Valuation Standards.

As part of the Compensation Agreements, Chengnan Office will also take over the renovations and fixtures on the Land and Buildings as well as certain equipment belonging to SHC and SHP. The equipment being acquired by Chengnan Office accounts for less than 1% of the Group's net tangible asset value ("**NTA**") as reflected in the Group's latest announced financial statements, for the six (6) months ended 30 June 2019. In this announcement, such renovations, fixtures and equipment are hereinafter called "**ancillary assets**".

3. COMPENSATION FOR THE COMPULSORY ACQUISITION

Pursuant to the terms of the Compensation Agreements, the compensation due to SHC and SHP by the Chengnan Office for the Compulsory Acquisition and the related expenses and losses due to suspension of business and ancillary costs as well as relevant taxes, is an aggregate amount of approximately RMB82.2M (equivalent to about US\$12.0M) ("**Compensation Amount**"), payable in cash in four separate instalments, comprising:

- (a) Approximately RMB37.2M for the Land, Buildings and ancillary assets located at Suzhou Wuzhong Economic Development Zone, Ying Chun South Road, No. 96, owned by SHC; and
- (b) Approximately RMB45.0M for the Land, Buildings and ancillary assets located at Suzhou Wuzhong Economic Development Zone, Ying Chun South Road, No. 96, owned by SHP.

The aggregated net asset value of the Land, Buildings and ancillary assets is approximately RMB13.9M, as at 31 December 2018. The excess of the Compensation Amount over the net book value of the Land, Buildings and ancillary assets is approximately RMB68.3M. The Group will record a total gain on disposal of approximately RMB39.9M (equivalent to about US\$5.8M) after deducting estimated expenses and losses of RMB28.4M due to suspension of business and ancillary costs as well as relevant taxes.

The Compensation Amount was arrived at after lengthy negotiations between SHC and SHP and the Chengnan Office. Factors taken into account by the Company in finally agreeing to the Compensation Amount included the valuation of the Land and Buildings, the value of the ancillary assets, and the anticipated loss of revenue and income for SHC and SHP. Chengnan Office has also agreed to bear the retrenchment amounts payable to employees in accordance with Chinese labour laws as a result of the Compulsory Acquisition (to be set out in a supplemental agreement between Chengnan Office and SHC and SHP).

4. BASIS OF THE COMPULSORY ACQUISITION

In accordance with the changes to the planning requirements made by the Suzhou government and the Suzhou Wuzhong district government in respect of the Wuzhong district in Suzhou and the relevant Chinese laws and regulations, the Land and Buildings were identified as properties for compulsory acquisition.

5. EXPECTED FINANCIAL EFFECTS OF THE COMPULSORY ACQUISITION

5.1 NTA per share of the Company ("Share")

Based on the audited consolidated financial statements of the Group for FY2018, assuming that the Compulsory Acquisition had been effected at the end of that financial year, the financial effects on the NTA for FY2018 are as follows:

As at 31 December 2018	Before the Compulsory Acquisition	After the Compulsory Acquisition
NTA (US\$'000)	32,742	38,558**
NTA per Share (in US\$)*	15.59	18.36

Notes:

* Based on 209,971,310 issued Shares as at 31 December 2018.

** The calculation of the financial impact excludes the compensation of approximately RMB28.4M (equivalent to about US\$4.1M) for the related expenses and losses due to suspension of business and ancillary costs as well as relevant taxes.

5.2 Earnings per Share ("EPS")

Based on the audited consolidated financial statements of the Group for FY2018, assuming that the Compulsory Acquisition had been effected at the beginning of that financial year, the financial effects on the EPS for FY2018 are as follows:

	Before the Compulsory Acquisition	After the Compulsory Acquisition
Net profit attributable to shareholders of the Company (US\$'000)	1,387	7,203**
EPS (in US cents)*	0.66	3.43

Notes:

* Based on 209,971,310 issued Shares as at 31 December 2018.

** The calculation of the financial impact excludes the compensation of approximately US\$4.1M for the related expenses and losses due to suspension of business and ancillary costs as well as relevant taxes.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest in the Compulsory Acquisition.

7. SERVICE CONTRACTS

No service contracts are proposed to be entered into by the Company in connection with the Compulsory Acquisition.

8. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

For information of shareholders of the Company, the Company has computed the relative figures for the Compulsory Acquisition on the bases set out in Rule 1006 of the Listing Manual, based on the unaudited consolidated financial results of the Group for the six (6) months ended 30 June 2019 (being the latest announced consolidated accounts of the Company), as set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the Land, Buildings and ancillary assets compared with the Group's net asset value	6% ⁽¹⁾
(b)	Net profits (loss) attributable to the Land, Buildings and ancillary assets compared with the Group's net profits	Not applicable ⁽²⁾
(c)	The Compensation Amount, compared with the Company's market capitalisation based on the total number of issued shares of the Company excluding treasury shares	51% ⁽³⁾
(d)	Number of equity securities issued by the Company as consideration for the Compulsory Acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁴⁾
(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 ⁽⁵⁾

Notes:

- (1) Based on the net asset value of the Land, Buildings and ancillary assets as at 30 June 2019 of approximately US\$1.9M, divided by the Group's net asset value as at 30 June 2019 of approximately US\$33.0M.
- (2) Rule 1006(b) is not determinable at this stage as SHC and SHP have the rights to continue to operate from the Land and Buildings until 10 November 2020 and the Company is not able at present to determine the income and expenses to calculate the net profits attributable to the assets disposed of.
- (3) Based on the Compensation Amount of approximately US\$12.0M, divided by the market capitalisation of the Company of approximately US\$23.6M (based on 209,971,310 Shares in the capital of the Company multiplied by the weighted average price of the Shares of S\$0.156 transacted on 29 August 2019, being the market day immediately preceding the date of the Compensation Agreement on which Shares were traded on the Singapore Exchange Securities Trading Limited, converted at the exchange rate of US\$1 : S\$1.3892).

- (4) Rule 1006(d) does not apply as the Company will not be issuing Shares in connection with the Compulsory Acquisition.
- (5) Rule 1006(e) does not apply because the Company is not a mineral, oil and gas company.

The Company wishes to highlight that the Compulsory Acquisition is not a disposal by the Company but is a compulsory acquisition by the Chengnan Office which is exercising its legal authority to require the compulsory acquisition of the Land and Buildings. Accordingly, Chapter 10 of the Listing Manual is not applicable. However, the Company has been guided by the provisions of Chapter 10 in making this announcement, for shareholders' information.

9. ESTIMATED TIME FRAME

Pursuant to the terms of the Compensation Agreements, the Land and Buildings are to be delivered with vacant possession by 10 November 2020. The Group is in the process of evaluating various options for its Chinese business and its intended use of the Compensation Amount proceeds. The Company will make further announcements as and when appropriate and/or if there are any material updates or developments in relation to the foregoing.

10. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the Compensation Agreements are available for inspection at the registered address of the Company at 21 Woodlands Close #09-12 Singapore 737854 during normal office hours from Mondays to Fridays (excluding public holidays) for a period of three (3) months commencing from the date of this announcement.

On behalf of the Board

Yeo Hock Leng
Executive Chairman and Group Managing Director
30 August 2019