INTRACO LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 196800526Z

PROPOSED ACQUISITION OF SHARES IN DYNAMIC COLOURS LIMITED ("DCL")

Introduction

The Board of Directors of Intraco Limited (the "Company" or "Intraco") is pleased to announce that it has entered into a conditional agreement (the "Sale and Purchase Agreement") with SEAVI Advent Equity IV Fund Limited Partnership, SEAVI Advent Holdings Ltd, Fortis Private Equity Asia Fund NV, Shun Hing Private Equity Limited, Demark Holdings Pte Ltd and Leong Wing Kong (collectively the "Vendors") on 7 May 2009 pursuant to which the Company has agreed to acquire from the Vendors an aggregate 62,800,000 ordinary shares in the capital of DCL (the "Sale Shares"), representing approximately 29.9% of the issued and paid up share capital of the DCL, subject to the terms and conditions of the Sale and Purchase Agreement (the "Proposed Acquisition").

Information on DCL

DCL was incorporated in Singapore on 2 July 1993 and was listed on the Mainboard of the Singapore Exchange Securities Trading Limited on 23 November 2007. The DCL group was founded by DCL's executive chairman and group managing director, Mr Yeo Hock Leng and, deputy group managing director and technical director, Ms Goh Seok Eng. The DCL group is principally engaged in the business of:-

(a) providing colour compounding and modified compounding of resins used in the manufacture of plastic components for the external casings or component parts of electrical appliances and electronic devices produced mainly by the IT and electronics industry; and

(b) manufacturing heavy-duty polyethylene bags used for the petrochemical industry and other plastic packaging materials.

DCL's businesses are located in Jiangsu Province in China, Vietnam, Malaysia and Singapore.

Aggregate Consideration

The consideration for the acquisition of the Sale Shares is S$10,048,000 or S$0.16 per Sale Share (the "Consideration") payable by cash upon completion. The Consideration was arrived at on a willing-buyer-willing-seller basis, taking into account, amongst others, the current share price, tangible net asset value and goodwill of DCL.

The Company intends to finance the Consideration through internal sources of funds.

Condition Precedent

The Sale and Purchase Agreement is conditional upon the satisfaction of the following conditions:-

(a) the Company having obtained the approval to the Proposed Acquisition from its shareholders in general meeting;

(b) the warranties granted by the Vendors under the Sale and Purchase Agreement remaining true and not misleading in any material respect at completion;

(c) the Vendors having performed all the covenants and agreement required to be performed or caused to be performed by them under the Sale and Purchase Agreement; and

(d) there being no material adverse change in the business, trading or financial position or prospects of the DCL group companies between the execution date of the Sale and Purchase Agreement and the date of completion.

Other salient terms and conditions of the Sale and Purchase Agreement

Other salient terms and conditions of the Sale and Purchase Agreement include the following:-

(a) The Vendors undertake to the Company that until completion, the Vendors shall:

  (i) use their best endeavours to be kept informed of such information regarding the businesses and affairs of the DCL group companies and that any information coming to any Vendor's knowledge pertaining to a material change, or potential material change, to the business, trading or financial position or prospects of the Group Companies shall be forthwith disclosed in writing to the Company;

  (ii) not, and shall use their best endeavours to procure that no DCL group company shall, enter into, continue or solicit discussions or negotiations with, or provide any information to or otherwise assist, any third party who may be interested in acquiring the whole or any material part of the undertaking, business or assets of any DCL group company; and

  (iii) use their best endeavours to procure that no DCL group company shall do or omit to do, or cause to be done or omitted to be done, any act or thing which would result (or be likely to result) in any of the warranties (save as disclosed in a disclosure letter) being untrue or inaccurate as at completion.

(b) If before completion,

  (i) it comes to the notice of the Company that any of warranties are untrue or inaccurate in a material respect (as determined by the Company reasonably in its absolute discretion); or

  (ii) any Vendor is in material breach of any obligation on his part under this Agreement and, where that breach is capable of remedy, it is not remedied to the Company's satisfaction (as determined by the Company reasonably in its absolute discretion); or

  (iii) anything occurs which, had it occurred on or before the date of the Sale and Purchase Agreement, would have resulted in any of the warranties being untrue or inaccurate in a material respect (as determined by the Company reasonably in its absolute discretion); or

  (iv) anything occurs (except something arising from an act or omission of the Purchaser) which has, or would be likely to have after Completion, a material adverse effect on the financial condition or business of any Group Company (as presently carried on)

  (v) termination of or resignation by Yeo Hock Leng and/or Goh Seok Eng from their present employment with DCL, or the sale by Yeo Hock Leng and/or Goh Seok Eng of more than 20% of their shares in DCL held by each of them direct or indirectly

  the Company may elect not to complete the Proposed Acquisition by giving notice to the Vendors.

Financial Effects of the Proposed Acquisition

The proforma financial effects of the Proposed Acquisition on the consolidated net tangible assets per share, the consolidated earnings and the share capital of the Company are set out below and are prepared purely for illustration only and do not reflect the actual future financial situation of the Company and its subsidiaries after the completion of the Proposed Acquisition. The proforma financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2008 on the assumption that the Consideration is funded solely from internal sources of funds.

Net profit attributable to DCL and net tangible asset value of DCL

Based on the audited consolidated financial statements of the DCL group of companies for the financial year ended 31 December 2008 (“FY2008”), the net profit after tax of the DCL group of companies for FY2008 was US$806,390 and its net tangible asset value was US$28,455,421.

Effect of the Proposed Acquisition on the consolidated net tangible asset value of the Intraco group

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2008 and assuming that the Proposed Acquisition has been completed as at the end of FY2008, the Proposed Acquisition will, on a proforma basis increase the consolidated net tangible asset of the Group from 76.07 Singapore cents per share (excluding treasury shares) to 78.61 Singapore cents per share (excluding treasury shares).

Effect of the Proposed Acquisition on the consolidated earnings of the Intraco group

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2008 and assuming that the Proposed Acquisition has been completed as at the beginning of FY2008, the Proposed Acquisition will, on a proforma basis result in the increase of the consolidated basic and diluted earnings of the Group from 1.21 Singapore cents per share (excluding treasury shares) to a consolidated earnings of 4.10 Singapore cents per share, which includes the preliminary negative goodwill on the acquisition (excluding treasury shares).

Excluding the preliminary negative goodwill on the acquisition, the proforma consolidated basic and diluted earnings of the Group will increase from 1.21 Singapore cents per share to 1.57 Singapore cents per share (excluding treasury shares).

Rationale for the Proposed Acquisition

DCL has an established market presence having operated for more than 10 years in Jiangsu Province, PRC and is a reputable supplier of high quality compounded resins. In addition, DCL is one of the leading suppliers of high quality heavy duty polythene packaging to Singapore’s petrochemical industry.

The Directors believe that the Proposed Acquisition presents various potential synergies for the Company's resin and electronic components business by allowing the Company to leverage on DCL's presence in the Greater Shanghai region and to tap into DCL's compounding services to strengthen the Company's integrated supply chain for resins.

Further, the Directors believe that as the global economy recovers, demand for engineering plastic will grow. The investment into DCL will allow the Company to diversify into the area of engineering plastics and position itself for economic recovery with an additional arm in engineering plastics sales and trading.

Major Transaction

Pursuant to Rules 1013 and 1014 of the Listing Manual, the Company is required to convene an extraordinary general meeting to seek the approval of the shareholders of the Company for the Proposed Acquisition, as the Proposed Acquisition constitutes a major transaction under the Listing Manual.

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual with respect to the Proposed Acquisition are as follows:-

(a)	Net asset value of the assets to be disposed compared with the Intraco group's net asset value as at 31 December 2008	Not applicable
(b)	Net profit attributable to the assets acquired, compared with the Intraco group's net profits as at 31 December 2008	51.14%
(c)	The aggregate value of the Consideration compared with the Company's market capitalisation as at 6 May 2009, the last traded market day preceding the date of the Sale and Purchase Agreement	44.76%
(d)	The number of shares in the Company issued as part consideration for the Proposed Acquisition, compared with the number of shares previously in issue	Not applicable

A circular to shareholders containing more detailed information on the Proposed Acquisition will be dispatched to shareholders in due course.

Documents for inspection

A copy of the Sale and Purchase Agreement is available for inspection during normal business hours at the Company's registered office at 348 Jalan Boon Lay Singapore 619529 for a period of three months from the date hereof.

Interests of Directors and Substantial Shareholders

None of the Directors or controlling shareholders of the Company have an interest or are deemed to be interested in the Proposed Acquisition.

By Order of the Board
Intraco Limited

Annie Wong Sook Cheng
7 May 2009