

CIRCULAR DATED 15 APRIL 2015

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.



DYNAMIC COLOURS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199304233Z)

CIRCULAR TO SHAREHOLDERS
IN RELATION TO
THE PROPOSED CHANGE OF AUDITORS

DEFINITIONS

Except where the context otherwise requires, the following definitions apply:

“Act”	:	The Companies Act, Chapter 50 of Singapore, as amended from time to time
“AGM”	:	The Annual General Meeting of the Company to be held on 30 April 2015
“Audit and Risk Committee”	:	The Audit and Risk Committee of the Company for the time being
“Auditors”	:	The auditors of the Company
“BDO”	:	BDO LLP
“Board” or “Board of Directors”	:	The Board of Directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“Company”	:	Dynamic Colours Limited
“Director”	:	A director of the Company for the time being
“Group”	:	The Company and its subsidiaries
“KPMG”	:	KPMG LLP
“Listing Manual”	:	The listing manual of the SGX-ST, as may be amended, varied or supplemented from time to time
“Notice of AGM”	:	The notice of the AGM dated 15 April 2015
“Proposed Change of Auditors”	:	The proposed change of auditors of the Company from KPMG to BDO
“Resolution”	:	The ordinary resolution no. 6 relating to the Proposed Change of Auditors as set out in the Notice of AGM
“Securities and Futures Act”	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons whose direct securities accounts maintained with CDP are credited with the Shares
“Shares”	:	Ordinary shares in the capital of the Company
“US\$”	:	United States dollars, being the lawful currency of the United States of America
“%” or “per cent.”	:	Per centum or percentage

DEFINITIONS

The terms “**depositor**”, “**depository agent**” and “**Depository Register**” shall have the respective meanings ascribed to them in section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Act, the Securities and Futures Act or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Act, the Securities and Futures Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

LETTER TO SHAREHOLDERS

DYNAMIC COLOURS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199304233Z)

Board of Directors:

Mr. Yeo Hock Leng, *Executive Chairman and Group Managing Director*
Mdm. Goh Seok Eng, *Deputy Group Managing Director and Technical Director*
Mr. Soon Boon Siong, *Lead Independent Director*
Mr. Chong Yee Siew Sebastian, *Independent Director*
Mr. Tan Lye Huat, *Independent Director*
Mr. Lim Kim Liang, *Non-Executive Director*

Registered Office:

55A Yishun Industrial
Park A
SL Building
Singapore 768729

15 April 2015

LETTER TO SHAREHOLDERS

To: The Shareholders of Dynamic Colours Limited

Dear Sir/Madam,

THE PROPOSED CHANGE OF AUDITORS

1. INTRODUCTION

1.1 AGM

The Board of Directors refers to the Notice of AGM convening the AGM to be held on 30 April 2015, and in particular, the ordinary resolution no. 6 as set out in the Notice of AGM relating to the approval of the Shareholders for the Proposed Change of Auditors.

- 1.2 The purpose of this Circular is to provide Shareholders with relevant information on the Proposed Change of Auditors. This Circular has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than the Shareholders) or for any other purpose.

2. THE PROPOSED CHANGE OF AUDITORS

2.1 Rationale for the Proposed Change of Auditors

The Directors and the Audit and Risk Committee recommend the appointment of BDO to replace KPMG which has been the Auditors of the Company and its subsidiaries, namely SL Packaging Industries Pte. Ltd., Suzhou Huiye Chemical & Light Industry Co., Ltd. and Suzhou Huiye Plastic Industries Co., Ltd. since 2006. To manage the Company's overall business costs and enhance its costs efficiency, the Directors and the Audit and Risk Committee are of the opinion that it will be in the interest of the Company to consider a change to another audit firm that is suitably qualified and able to provide audit services to the Company at more competitive fees and that the Group is to be audited by the same auditor for the parent company and its subsidiaries.

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Following a review of the fee quotation and proposed audit plans from BDO, the Directors accept the Audit and Risk Committee's recommendation for the appointment of BDO, subject to the approval of the Shareholders at the AGM. For the financial year ended 31 December 2014, the total audit fees for the audit of the Group amounted to approximately US\$130,000.

Based on the fee quotation from BDO, if appointed, the Company estimates that there will be cost savings of approximately 20% in audit fees for the Group. There will not be any reduction in the scope of audit (as compared with KPMG). For the purposes of Rule 715(2) of the Listing Manual, the relevant member firms within the international BDO network will be auditing the Company's significant foreign incorporated subsidiaries and associated companies.

In recommending the appointment of BDO to replace KPMG, the Directors and the Audit and Risk Committee have taken into consideration various factors, such as, that BDO has adequate resources and experience to handle the audit, the audit engagement partner assigned to the audit has the appropriate level of experience and there will be an adequate number of suitably experienced supervisory and professional staff to be assigned to the audit, having due regard to the size and complexity of the Group. For the foregoing reasons, the Directors and the Audit and Risk Committee are of the opinion that BDO will be able to meet the audit requirements of the Company and Rules 712 and 715 of the Listing Manual will be complied with.

Following the above, BDO had, on 6 April 2015, given their written consent to be appointed as the Auditors of the Company, subject to approval of the Shareholders at the AGM.

In view of the above, KPMG will be voluntarily resigning as Auditors of the Company at the AGM and will not be seeking reappointment. To this end, the Company had, on 2 April 2015, received a notice from KPMG of its resignation as Auditors of the Company. Pursuant to Section 205(15) of the Act, the resignation of KPMG will only take effect upon the appointment of BDO as Auditors at the AGM. The appointment of BDO would therefore be effective upon obtaining the approval of the Shareholders at the AGM for the Proposed Change of Auditors. Upon the appointment, BDO will hold office until the conclusion of the next annual general meeting of the Company.

The Directors wish to express their appreciation for the past services rendered by KPMG.

2.2 Rule 1203(5) of the Listing Manual

In accordance with Rule 1203(5) of the Listing Manual, the Company confirms that:

- (a) there were no disagreements with KPMG on accounting treatments within the last 12 months of the date of this Circular;
- (b) it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders of the Company which has not been disclosed in this Circular;
- (c) the Company confirms that the specific reasons for the Proposed Change of Auditors are disclosed in paragraph 2.1 above; and
- (d) the Company confirms that it complies with Rule 712 and Rule 715 of the Listing Manual in relation to the appointment of BDO.

In accordance with the requirements of Rule 1203(5) of the Listing Manual, KPMG has confirmed by way of their letter dated 2 April 2015 to the Company that it is not aware of any professional reasons why BDO should not accept appointment as the Auditors of the Company.

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2.3 Information on BDO

Based on the information provided by BDO, BDO is a medium sized accounting practice in Singapore with approximately 360 professional staff, and is part of the international BDO network of independent member firms, the world's 5th largest accounting and consulting network. BDO's global network has 1,328 offices in 151 countries with a combined professional staff of just under 60,000, providing business advisory services throughout the world.

The services provided by BDO include audit and assurance, business advisory, taxation, consulting and corporate advisory services. BDO is also the external or internal auditors of several publicly listed companies which are in a broad range of industries such as shipping, manufacturing, construction, food & beverage, palm oil plantations, oil & gas, trading, electronics, education and food processing. For more information about BDO, please visit <http://www.bdo.com.sg/index.html>.

Ms. Jacqueline Lew Wan Ming, with more than 20 years of audit experience is the designated lead engagement partner who will be assigned to lead the audit of the Company if the Proposed Change of Auditors is approved at the AGM. Jacqueline has extensive experience in publicly listed companies, multi-national corporations and emerging small and medium enterprises in a broad range of industries, including, but not limited, to high-tech manufacturing, property developers, shipping, retails, food & beverage and trading. Jacqueline's portfolio of publicly listed companies includes those with significant overseas operations in the People's Republic of China, Hong Kong, United States of America and Malaysia. Jacqueline is a practicing member of the Institute of Singapore Chartered Accountants and is a member of its Financial Statements Review Committee.

2.4 Audit and Risk Committee's Statement

The Audit and Risk Committee has reviewed the Proposed Change of Auditors and recommends the appointment of BDO in place of KPMG, having satisfied itself of the suitability of BDO and ensuring compliance with the Listing Manual.

3. **DIRECTORS' RECOMMENDATIONS**

Having considered the rationale and benefit of the Proposed Change of Auditors, the Directors are of the opinion that the appointment of BDO as Auditors of the Company is in the best interests of the Company and Shareholders. Accordingly, the Board recommends that the Shareholders vote in favour of the Resolution in respect of the Proposed Change of Auditors at the AGM.

4. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Change of Auditors, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

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5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 55A Yishun Industrial Park A, SL Building, Singapore 768729, during normal business hours from the date of this Circular to the date of the AGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter dated 2 April 2015 from KPMG, giving notice of their resignation as Auditors of the Company subject to the approval of the Shareholders at the AGM; and
- (c) the letter dated 6 April 2015 from BDO, giving their consent to act as Auditors of the Company subject to the approval of the Shareholders at the AGM.

Yours faithfully,
For and on behalf of the Board of Directors

Yeo Hock Leng
Executive Chairman and Group Managing Director
DYNAMIC COLOURS LIMITED