精砺 DYNA-MAC

beyond your expectations

POSITIONING TO GO FURTHER

ANNUAL REPORT 2018

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CORPORATE PROFILE

Dyna-Mac is a **global leader in the detailed engineering, fabrication and construction** of offshore FPSO (floating production storage offloading) and FSO (floating storage offloading) topside modules as well as onshore plants and other sub-sea products for the oil and gas industries. Listed on SGX Mainboard and headquartered in Singapore, **Dyna-Mac has yards in Singapore with partnership presence in Malaysia, China, Indonesia, the Philippines and Brazil**.

VISION & MISSION

A global leader in providing reliable, affordable products and services of unsurpassed quality for the oil & gas industries.

We will achieve this by upholding the highest levels of quality, safety, reliability and service excellence.

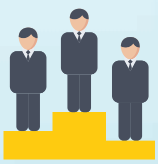
CORE VALUES

Our core values support the vision, shape the culture and chart the direction of the Group.

Putting these values into practice creates benefits for customers, employees, partners and the communities we serve.

INTEGRITY

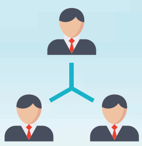
CUSTOMER FOCUS



PEOPLE DEVELOPMENT

HEALTH, SAFETY AND ENVIRONMENT

POSITIVE ATTITUDE



TEAMWORK

CORPORATE STRUCTURE

精砺 DYNA-MAC
beyond your expectations

- 100% Dyna-Mac Engineering Services Pte. Ltd.
  - 100% Dyna-Mac Engineering Services Sdn. Bhd.
- 100% Dyna-Mac Offshore Services Pte. Ltd.
  - 60% Dyna-Mac Do Brasil Construções Ltda
- 100% Dyna-Mac Marine & Heavy Engineering Pte. Ltd.
  - 40% Dyna-Mac Do Brasil Construções Ltda
- 100% DM Haven Automation Industries (S) Pte. Ltd.
- 100% Dyna-Mac Engineering (HK) Pte. Ltd.
  - 70% DMP Marine Fabricator (Nansha) Co. Ltd.
- 60% Dyna-Mac Keppel Philippines Inc.

CORPORATE INFORMATION

Registered Office
DYNA-MAC HOLDINGS LTD.
Company Registration Number: 200305693E
59 Gul Road
Singapore 629354
Tel : (65) 6762 5816
Fax : (65) 6762 3465
Website : www.dyna-mac.com

BOARD OF DIRECTORS
Lim Tze Jong Desmond
Executive Chairman and Chief Executive Officer

Lim Tjew Yok
Chief Operating Officer

Tan Soo Kiat
Lead Independent Director

Dr Ong Seh Hong
Independent Director

Teo Boon Hwee Simon
Chief Marketing Officer
Alternate to Lim Tze Jong Desmond

Chor How Jat
Non-executive Director
(Appointed on 30 January 2018)

Lee Kim Lian Juliana
Independent Director
(Appointed on 1 June 2018)

AUDIT COMMITTEE
Tan Soo Kiat (Chairman)
Dr Ong Seh Hong
Chor How Jat
Lee Kim Lian Juliana

REMUNERATION COMMITTEE
Dr Ong Seh Hong (Chairman)
Tan Soo Kiat
Chor How Jat
Lee Kim Lian Juliana

NOMINATING COMMITTEE
Lee Kim Lian Juliana (Chairman)
Dr Ong Seh Hong
Tan Soo Kiat
Chor How Jat

EXECUTIVE COMMITTEE
Lim Tze Jong
Executive Chairman and CEO

Varghese John
Senior Chief Corporate Officer

Tiong Sai Lan Joyce
Chief Financial Officer

Lim Tjew Yok
Chief Operating Officer

Teo Boon Hwee Simon
Chief Marketing Officer

Satish Malik
Chief Development Officer
(Appointed on 17 September 2018)

COMPANY SECRETARY
Liew Meng Ling, ACIS

SHARE REGISTRAR
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

PRINCIPAL BANKERS
Oversea-Chinese Banking Corporation
Standard Chartered Bank

AUDITOR
Ernst & Young LLP
Public Accountants and Chartered Accountants
Audit Partner: Tan Swee Ho
(Appointed since 2017)

SOLICITOR
RHT Law LLP
Equity Law LLC

EXECUTIVE CHAIRMAN & CEO's LETTER TO SHAREHOLDERS

DEAR VALUED SHAREHOLDERS

We are pleased that the Group is back in the black in FY2018 with a net profit before tax of $1.5 million, reversing from a net loss before tax of $58.6 million in FY2017.

FY2018 was a reasonably busy year for Dyna-Mac. We completed and loaded out a total of 9 modules throughout the year. The Annulus Pressure Management Skid (APMS) for Wood Group was loaded out on 20 July 2018, the MEG Reclamation Unit (MRU) for Cameron/Schlumberger was loaded out on 2 September 2018, and 7 out of a total of 12 modules for FPSO Liza Destiny for Single Buoy Moorings Inc. were progressively loaded out by December 2018.

The balance 5 modules of FPSO Liza Destiny were loaded out in January 2019.

NEW ORDERS SECURED

Riding on the budding recovery in the offshore oil and gas industry, Dyna-Mac is blessed to have secured projects totaling approximately $150 million from our long-standing customers.

Completion of these contracts are scheduled to spread over two years, with the bulk of the revenue recognition commencing in 3Q2019 up to FY2020.

GROWTH

To grow our order book, we are developing capabilities to diversify our scope of services to cover the EPC (Engineering, Procurement and Construction) market, on top of the traditional fabrication segment in the offshore oil and gas industry. With our concerted effort to proactively pursue leads and actively tender for EPC projects, we are optimistic that we will be able to secure some of these projects over the next two to three years.

FINANCIAL PERFORMANCE

Operating at an increased capacity in FY2018 as compared to FY2017, our revenue had increased by 249.2% in FY2018 to $115.3 million as compared to $33.0 million in FY2017. Gross profit recovered from a loss of $30 million in FY2017 to a gross profit of $23 million in FY2018. Correspondingly net profit recovered from a loss of $58.6 million in FY2017 to a net profit of $1.5 million in FY2018.

The recovery from a loss position was due to the Group securing and executing more projects in FY2018, cost reduction relating to unutilized inventory of $10.7 million from previously completed projects and the absence of major write-offs as seen in the last three years.

EXECUTIVE CHAIRMAN & CEO's LETTER TO SHAREHOLDERS

YARD CAPACITY

To meet the demand of potential projects, we are actively sourcing for additional yards space both in Singapore and overseas. The overseas yards will enable the Group to be nearer to the customers to serve them better.

DIVIDENDS

The Group's performance has improved slightly in FY2018 as compared to FY2017. New orders have just begun to pick up in the early months of FY2019. At this early stage of recovery and after careful consideration to conserve cash for working capital, the Board of Directors has recommended not to declare dividends for the financial year ended 31 December 2018.

OUTLOOK AND PROSPECTS

The demand in offshore oil and gas industry had improved and the outlook looks promising. We are actively looking into ways in improving our project execution strategy and developing new capabilities to ensure we can tender and successfully execute a growing number of projects.

While the Group remains positive over the long-term prospects in the offshore oil and gas industry, we will continue to manage our costs to align with business volume and manage our resources to position ourselves well ahead for the coming business opportunities.

ACKNOWLEDGEMENTS

On behalf of the Board, we would like to welcome on board Ms Lee Kim Lian Juliana who was appointed as non-executive, independent director of the Group on 1 June 2018.

We are also thankful for the support and patience extended by our stakeholders including our Board of Directors, shareholders, customers, suppliers, contractors, business associates and our dedicated management and staff.

LIM TZE JONG DESMOND
Executive Chairman and CEO

OPERATIONS REVIEW

PROJECTS DELIVERY IN 2018

Project Description	No. of modules delivered
WOOD GROUP APMS PACKAGE	
Annulus Pressure Management SKID	1
LEVIATHAN PRODUCTION PLATFORM	
MEG Reclamation Unit	1
FPSO LIZA DESTINY	
Topside Modules	7

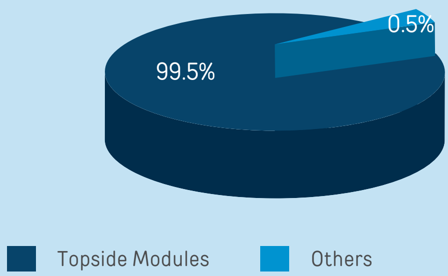
PROJECTS WORK-IN-PROGRESS IN 2018/2019

Project Description	No. of modules work-in-progress
FPSO LIZA DESTINY	
Topside Modules	5
ENI CORAL PROJECT	
Turret Instrumentation Room	1
FPSO (FROM REPEAT CUSTOMER)	
Topside Modules	13
VARIOUS	
Ad hoc projects	NA

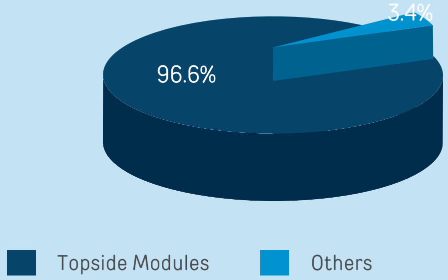
NA = not applicable

REVENUE CONTRIBUTIONS BY SEGMENTS:

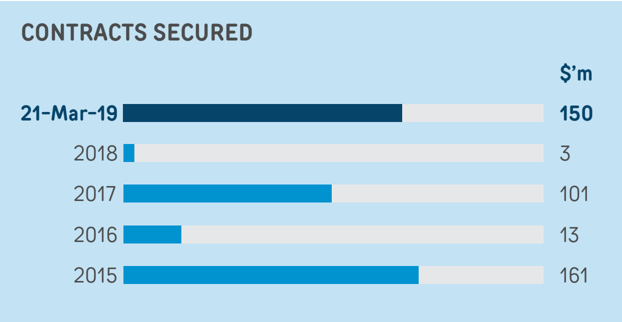
FY2018

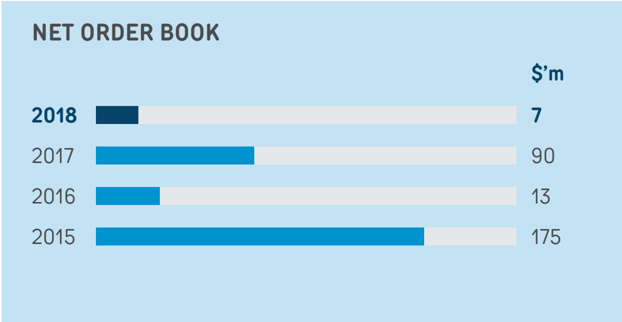


FY2017



CONTRACT SECURED VS NET ORDER BOOK





OPERATIONS REVIEW

REVIEW OF PERFORMANCE

Our revenue increased by 249.2% in FY2018 to $115.3 million as compared to $33.0 million in FY2017. The higher revenue was due to the Group securing and executing more projects in FY2018.

In FY2018, we completed and loaded out a total of 9 modules. The Annulus Pressure Management Skid (APMS) for Wood Group was loaded out in July 2018, the MEG Reclamation Unit (MRU) for Cameron/Schlumberger was loaded out in September 2018, and 7 out of a total of 12 modules for FPSO Liza Destiny for Single Buoy Moorings Inc. were progressively loaded out by December 2018.

The balance 5 modules of FPSO Liza Destiny were loaded out in January 2019.

NEW ORDERS SECURED

In the first quarter of FY2019, Dyna-Mac was awarded with new contracts totaling approximately $150 million from long-standing customers. Completion of these contracts are scheduled to spread over two years, with the bulk of the revenue recognition commencing in 3Q2019 up to FY2020.

WORK-IN-PROGRESS

The remaining 5 modules of FPSO Liza Destiny were completed and loaded out in January 2019. At the same time, we have commenced the construction of a Turret Instrumentation Room from Sofec Inc. which was awarded in November 2018 and the projects secured in 1Q2019.

NET ORDER BOOK

Our net order book after accounting for the new orders of $150 million secured in 1Q2019 and revenue recognition of up to FY2018 is $157 million with completion and deliveries extending into FY2020.

2018 KEY FINANCIALS

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
GROUP INCOME STATEMENT					
Revenue	115,314	33,023*	204,047	269,512	318,566
Gross Profit/(Loss)	22,586	(30,260)*	41,835	49,674	71,865
Profit/(Loss) before tax	1,479	(58,601)*	(18,391)	(1,810)	29,499
Net Profit/(Loss)	1,496	(58,033)*	(19,134)	(5,183)	26,241
Dividend – Final (cents)	Nil	Nil	Nil	Nil	1.5
GROUP BALANCE SHEET					
Currents assets	105,069	99,584*	171,996	259,541	281,246
Non-current assets	56,277	45,338	86,153	116,167	122,893
Total assets	**161,346**	**144,922***	**258,149**	**375,708**	**404,139**
Current liabilities	55,870	40,799*	93,697	144,123	152,113
Non-current liabilities	36	70	1,249	51,079	51,678
Total liabilities	**55,906**	**40,869**	**94,946**	**195,202**	**203,791**
Net assets	**105,440**	**104,053***	**163,203**	**180,506**	**200,348**
Share capital	145,271	145,271	145,271	145,271	145,271
Other reserves	130	216*	633*	109	(643)
(Accumulated losses)/retained profits	(40,651)	(42,168)*	15,079*	32,824	51,625
Non-controlling interest	690	734	2,220	2,302	4,095
Total equity	**105,440**	**104,053***	**163,203**	**180,506**	**200,348**
PER SHARE					
Earnings/(Loss) per share – basic (cents)	0.15	(5.59)*	(1.86)	(0.34)	2.42
Earnings/(Loss) per share – diluted (cents)	0.15	(5.59)*	(1.86)	(0.34)	2.42
Net asset value (cents)	10.30	10.17*	15.95	17.64	19.58
FINANCIAL RATIOS					
Return /(Loss) on equity (%)	1.42	(55.77)*	(11.72)	(2.87)	13.10
Return/(Loss) on total assets (%)	0.93	(40.04)*	(7.41)	(1.38)	6.49
Current ratio (times)	1.88	2.44*	1.84	1.80	1.85
Gearing ratio (%)	16	6	18	32	25
GROUP CASH FLOW STATEMENT					
Net cash flows (used in)/generated from operating activities	(24,740)	(1,109)	31,430	54,522	(17,119)
Net cash flows (used in)/generated from investing activities	(257)	(2,710)	45	18,795	(8,343)
Net cash flows generated from/(used in) financing activities	12,856	(28,666)	(48,540)	(3,810)	10,280
Cash and cash equivalents	24,925	37,088	69,535	85,211	42,155

* Restated

FINANCIAL
REVIEW

INCOME STATEMENT OVERVIEW

Revenue

Revenue increased by $82.3 million or 249.2% from $33.0 million for the year ended 31 December 2017 ("FY2017") to $115.3 million for the year ended 31 December 2018 ("FY2018"). The increase was mainly due to higher project progress achieved for FY2018.

Gross Profit

The Group recovered from a loss of $30.3 million in FY2017 to a gross profit of $22.6 million in FY2018. This was in line with higher revenue recognized in FY2018 and cost reduction relating to unutilized inventory of $10.7 million from previously completed projects.

Net Profit Before Tax

Net profit before tax recovered from a loss of $58.6 million in FY2017 to a profit of $1.5 million in FY2018 as a result of the overall improved business activities of the Group.

STATEMENT OF FINANCIAL POSITION

Current Assets

Total current assets increased by $5.5 million from $99.6 million as at 31 December 2017 to $105.1 million as at 31 December 2018. This was mainly due to an increase of $17.1 million, $10.1 million and $9.3 million in trade and other receivables, inventories and contract assets respectively but partially offset by a decrease of $18.7 million and $12.2 million in assets held for sale and cash and cash equivalents respectively. The assets held for sale was reclassified back to property, plant and equipment.

Non-current Assets

Non-current assets increased by $11.0 million from $45.3 million as at 31 December 2017 to $56.3 million as at 31 December 2018 mainly due to the reclassification of a property with a net book value of $18.7 million from asset held for sale to property, plant and equipment, and partially offset by addition of property, plant and equipment and depreciation.

Current Liabilities

Total current liabilities increased by $15.1 million from $40.8 million as at 31 December 2017 to $55.9 million as at 31 December 2018 mainly due to an increase of $3.0 million in trade and other payables, increase in short-term borrowings of $13.3 million, but partially offset by a decrease in contract liabilities of $0.9 million, and a decrease in income tax payables of $0.3 million.

STATEMENT OF CASH FLOW

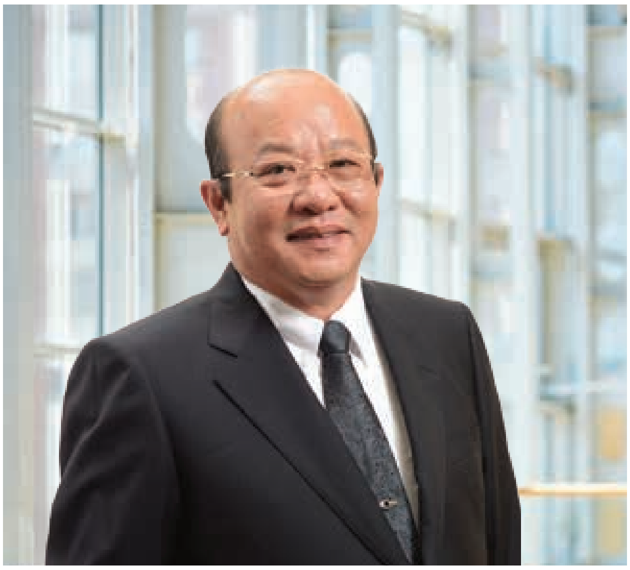
The Group registered a decrease in cash and cash equivalent of $12.2 million from $37.1 million as at 31 December 2017 to $24.9 million as at 31 December 2018.

Net cash flows used in operating activities in FY2018 was $24.7 million mainly due to working capital requirements.

Net cash flows used in investing activities in FY2018 was $0.3 million mainly due to additions to property, plant and equipment.

Net cash flows generated from financing activities in FY2018 was $12.9 million. This was mainly due to drawdown of bank borrowings.

BOARD OF DIRECTORS



MR LIM TZE JONG DESMOND
Executive Chairman and Chief Executive Officer
Executive/Non-Independent Director
Appointed 19 June 2003

Mr Lim is an Executive and a Non-Independent Director. He is currently the Chairman and Chief Executive Officer (CEO) of Dyna-Mac, a company he founded in 1990. He has been instrumental in spearheading the growth of the company from its initial business of construction of piping systems and steel structures to its present business of providing engineering services in the construction of topside modules for FPSOs and FSOs for the oil and gas industries.

As the CEO of the company, Mr Lim oversees the overall organisation, management and marketing of the Group. He is responsible for steering the strategic directions and growth of the Group.

MR LIM TJEW YOK
Chief Operating Officer
Executive/Non-Independent Director
Appointed 8 February 2011

Mr Lim is an Executive and a Non-Independent Director. Currently the Chief Operating Officer of Dyna-Mac, Mr Lim joined the Group in 2001. He is responsible for the yard's operations and facilities management engineering, quality assurance and quality control, safety and security, subcontracting and procurement, including project management for Singapore, Malaysia, China and Brazil. Prior to joining the Group, Mr Lim gained valuable engineering experience working for companies including Kailay Engineering and Shin Nippon Air Technologies, where he managed several projects worth between $10 million and $50 million each.

Mr Lim obtained his Diploma in Mechanical Engineering from the Singapore Polytechnic in 1979.

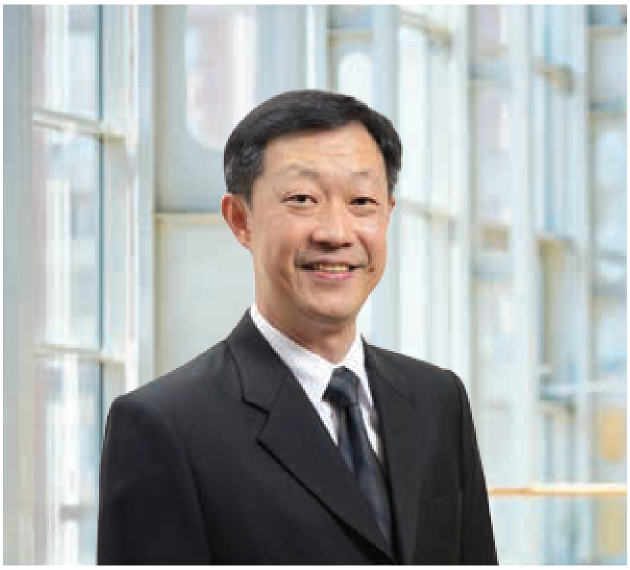
BOARD OF DIRECTORS

MR TEO BOON HWEE SIMON

Chief Marketing Officer
Executive/Non-Independent Alternate Director
Appointed 28 June 2011

Mr Teo was appointed an Alternate Director to Mr Lim Tze Jong Desmond on 28 June 2011. Currently the Chief Marketing Officer of Dyna-Mac, Mr Teo joined the company in 1998 as General Manager in the commercial department and was subsequently promoted to his current position in June 2011. He has more than 27 years of experience in the fields of marketing, sourcing and procurement. He plays an instrumental role in liaising with customers on commercial matters and provides leadership for tenders and customer relationships.

Mr Teo graduated from the University of Aston in Birmingham, UK in 1984 with a Bachelor in Production Technology and Production Management (Honours) degree. He is also a chartered engineer with the Engineering Council in the UK.



MR TAN SOO KIAT

Non-Executive/Lead Independent Director
Appointed 8 February 2011
Chairman, Audit Committee

Mr Tan was appointed Dyna-Mac's Lead Independent Director on 8 February 2011. He heads the Board's Audit Committee, and is a member of the Nominating Committee and Remuneration Committee.

Currently a Director of Intergate Pte Ltd, a company engaged in the provision of corporate advisory services, Mr Tan is also an Independent Director and a Non-Executive Director of two other companies listed on the SGX-ST. He has more than 17 years of experience in the banking and finance industry.

Prior to setting up his corporate advisory services business in May 2001, Mr Tan was the Chief Operating Officer and Executive Director of Goodpack Limited, a General Manager and Executive Director of Progen Holdings Ltd, Vice President (Finance) of Pacific Century Regional Developments Ltd and Treasurer with the investment banking arm of DBS Bank.

Prior to working in Singapore, Mr Tan was a Senior Internal Auditor and Marketing and Loans Manager with Bank of Western Australia Ltd.

Mr Tan graduated from University of Otago, New Zealand, with a Bachelor of Commerce (Accounting) degree in 1983. He is a member of Chartered Accountants Australia and New Zealand.

BOARD OF DIRECTORS

DR ONG SEH HONG

Non-Executive/Independent Director
Appointed 8 February 2011
Chairman, Remuneration Committee

Dr Ong was appointed a Director of Dyna-Mac on 8 February 2011. He heads the Board's Remuneration, and is a member of the Audit Committee and Nominating Committee.

Currently a practising Psychiatrist, Dr Ong was the Clinical Director and Chief Operating Officer of the Ren Ci Hospital & Medicare Centre and Vice President (Corporate Services) of GIC Special Investments Private Limited, a unit of the Government of Singapore Investment Corporation. He was a Member of Parliament from 2001 to 2011.

Dr Ong is currently servicing as the Independent Non-Executive Chairman of Hock Lian Seng Holdings Limited, Independent Director of Zhongmin Baihui Retail Group Ltd, which are listed on the Singapore Exchange.

Dr Ong graduated from the National University of Singapore with a MBBS degree in 1987. He obtained a MRCPsyh from The Royal College of Psychiatrist (UK) and FAMS from the Academy of Medicine, Singapore, in 1994 and 1997 respectively. He also earned a Master of Science (Applied Finance) degree from the National University of Singapore in 1999.

MR CHOR HOW JAT

Non-Executive/Non-Independent Director
Appointed on 30 January 2018

Mr. Chor was appointed as Director on 30 January 2018. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee. He is currently the Managing Director of Keppel Shipyard Limited since October 2012.

Mr Chor began his professional career with Keppel Offshore and Marine in 1989 and held appointments as Shiprepair Manager of Keppel Shipyard Limited; Deputy Shipyard Manager, Shipyard Manager of Keppel FELS Limited in 2001 and 2002 respectively; General Manager (Operations) of Keppel FELS Limited in 2004; and Executive Director of Keppel Shipyard in January 2011.

Mr Chor serves as Director on the Board of Keppel Shipyard Limited, Asian Lift Pte Ltd, Keppel Singmarine Pte Ltd, KS Investments Pte Ltd, Keppel Sea Scan Pte Ltd, Green Scan Pte Ltd, Keppel FELS Limited, Gas Technology Development Pte Ltd, KSI Production (2017) Pte Ltd, Keppel FELS Brasil S.A. and PV Keez Pte Ltd.

Mr Chor is also Director and Chairman of Keppel Philippines Marine Inc., Keppel Batangas Shipyard, Keppel Subic Shipyard Inc., Blastech Abrasives Pte Ltd, Nusa Maritime Pte Ltd, Alpine Engineering Services Pte Ltd and Blue Ocean Solutions Pte Ltd.

In addition, Mr Chor is a member of Workplace Safety and Health Council (Marine Industries), a member of the American Bureau of Shipping, American Bureau of Shipping Committee Member of the Marine Technical Committee (TMTC), ClassNK Singapore Technical Committee of Nippon Kaji Kyokai, Lloyd's Register South East Asia Technical Committee (SEATC) and Singapore Maritime Foundation (SMF) Advisory Panel.

Mr Chor holds a Master of Science in Marine Technology, University of Newcastle Upon Tyne; Bachelor of Engineering (Honours) in Naval Architect & Shipbuilding, University of Newcastle Upon Tyne; General Management Program, Harvard Business School.

BOARD OF DIRECTORS

MS JULIANA LEE KIM LIAN

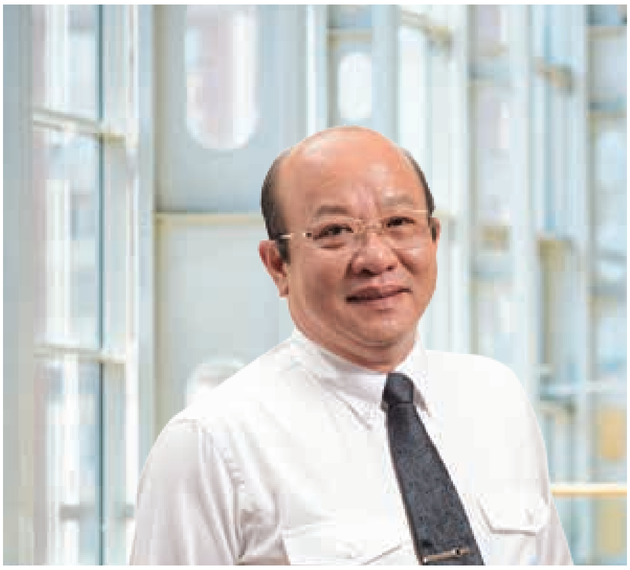
Non-Executive/Independent Director
Appointed on 1 June 2018
Chairman, Nominating Committee

Juliana Lee was appointed an Independent Director of Dyna-Mac on 1 June 2018. She heads the Board's Nominating Committee, and is a member of its Audit Committee and Remuneration Committee.

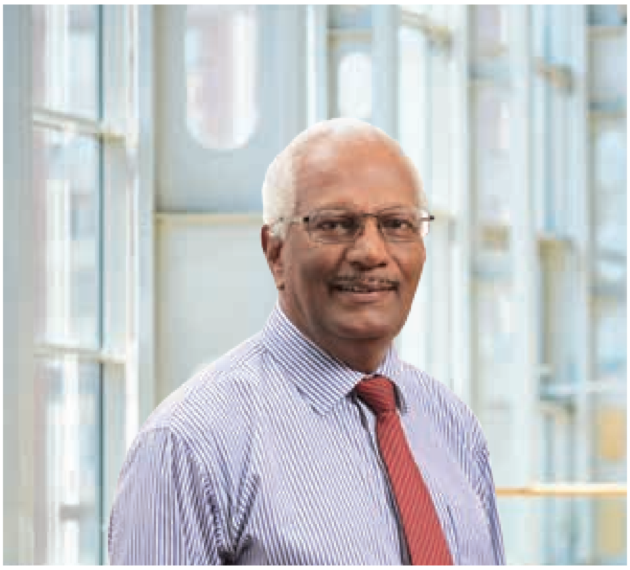
Juliana is a Director of Aptus Law Corporation, a law firm in Singapore. She has more than 20 years of experience in legal practice and currently heads the corporate practice of Aptus Law Corporation. Her main areas of practice are corporate law, corporate finance, mergers and acquisitions and venture capital. She also presently serves as an independent director on the Boards of Nordic Group Limited and Uni-Asia Group Limited.

Juliana holds a Bachelor of Laws (Honours) degree from the National University of Singapore and is a member of the Singapore Institute of Directors.

SENIOR MANAGEMENT



MR LIM TZE JONG DESMOND
Chairman and Chief Executive Officer



MR VARGHESE JOHN
Senior Chief Corporate Officer
Bachelor in Mechanical Engineering, University of Kerala, India

MS TIONG SAI LAN JOYCE
Chief Financial Officer
Fellow member, Association of Chartered Certified Accountants
Member, Institute of Singapore Chartered Accountant

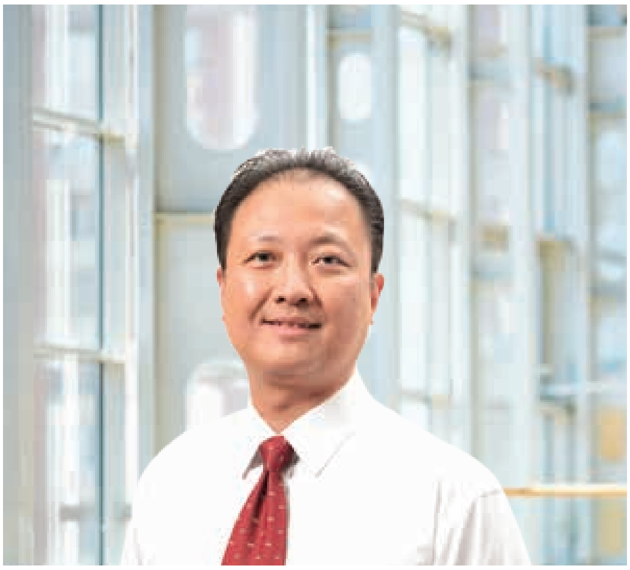
MR LIM TJEW YOK
Chief Operating Officer
Diploma in Mechanical Engineering, Singapore Polytechnic

SENIOR MANAGEMENT

MR TEO BOON HWEE SIMON
Chief Marketing Officer
Bachelor in Production Technology and Production Management (Honours), University of Aston, Birmingham, UK

MR SATISH MALIK
Chief Development Officer
Bachelor in Mechanical Engineering, Delhi University, India
Member, American Society of Mechanical Engineers
Member, Society of Petroleum Engineers

MS CHONG SWEE LEE
Vice-President
(Human Resource, Administration and Group Payroll)
Bachelor of Business Administration, National University of Singapore
Professional member, Singapore Human Resource Institute



MR CHIN WOON KWONG IAN
Vice-President (Commercial)
Bachelor of Engineering in Aeronautical Engineering, The Queen's University, Northern Ireland, UK
Master of Business Administration, University of Leicester, UK

SUSTAINABILITY OVERVIEW

BOARD STATEMENT

At Dyna-Mac, sustainability means building businesses that deliver long-term shareholder value and growth. In order to achieve this, we aim to adopt a disciplined and accountable approach founded on high standards of corporate governance and integrity.

The Board of Directors ("Board") incorporates long-term consideration of environmental, social and governance ("ESG") issues when formulating Dyna-Mac's sustainability strategies. In doing so, we strive to create value for our shareholders, as well as customers, employees, suppliers, contractors, partners and the communities in which we operate in.

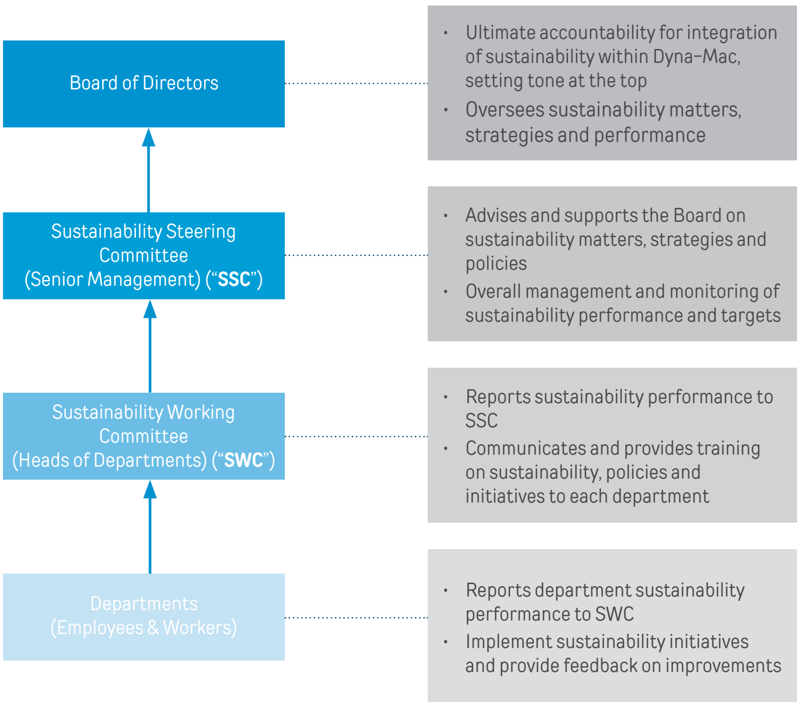
In the process of formulating our sustainability report, the Board recognises the importance of sustainability practices and how it can benefit our business operations and performance, and oversees the identification of ESG material topics that are pertinent to our business and aligns with our long-term business targets.

OUR APPROACH

Sustainability Leadership

At Dyna-Mac, sustainability leadership starts with a tone at the top. We believe that every individual in Dyna-Mac plays an important role in ensuring that sustainability is embedded deeply within everything we do. To that end, we have taken steps to put in place a systematic monitoring and reporting process.

We are committed to conduct our business in a responsible and sustainable manner. A Sustainability Steering Committee comprising senior management was set up to drive sustainability efforts within the Group. It is supported by a Sustainability Working Committee comprising the various heads of department who gather and verify the performance data, as well as introduce initiatives to drive the management of our material issues.



Stakeholder Engagement

Dyna-Mac constantly strives to create value for all our stakeholders. Regular engagement is critical for us to understand their needs and key concerns so that we can work towards addressing them.

Effective stakeholder engagement is critical to ensuring Dyna-Mac's continued success as it allows us to be responsive to their evolving needs. We interact with them regularly and a summary of their key interests and the Company's engagement approach are presented in the table below.

Dyna-Mac's Stakeholder Engagement

Key Stakeholder Groups	How we engage them?	What are their key concerns?
Employees	• Meetings, calls and conferences • Interviews and surveys • Trainings and courses • Newsletters and campaigns • Policies and procedures • Appreciation dinners and other festive events	• Vision, strategy and direction • Training and development • Occupational health and safety • Equal opportunities • Fair remuneration and progression • Job stability
Customers	• Meetings, calls and conferences • Site visits • Feedbacks channels	• Product and service quality • Innovation • Occupational health and safety
Investors	• Dedicated Investor Relations • Annual General Meetings, meetings, calls, conferences • Annual Reports • Financial information, SGX announcements and circulars • Corporate website	• Vision, strategy and direction • Economic performance • Corporate governance
Vendors	• Meetings, calls and conferences • Interview and surveys • Site visits • Trainings and courses	• Occupational health and safety • Corporate governance • Compliance
Communities	• Corporate website • Annual Reports • SGX announcements • Community involvement activities	• Social responsibility and impact • Environmental impact (Air, Water, Waste, Noise etc.)
Government and Regulators	• Meetings, calls and briefings • Site visits • Industry networking functions	• Corporate governance • Compliance • Socioeconomic, environmental impact • Business collaboration and investment • Sharing of industry best practices

SUSTAINABILITY OVERVIEW

Materiality Assessment

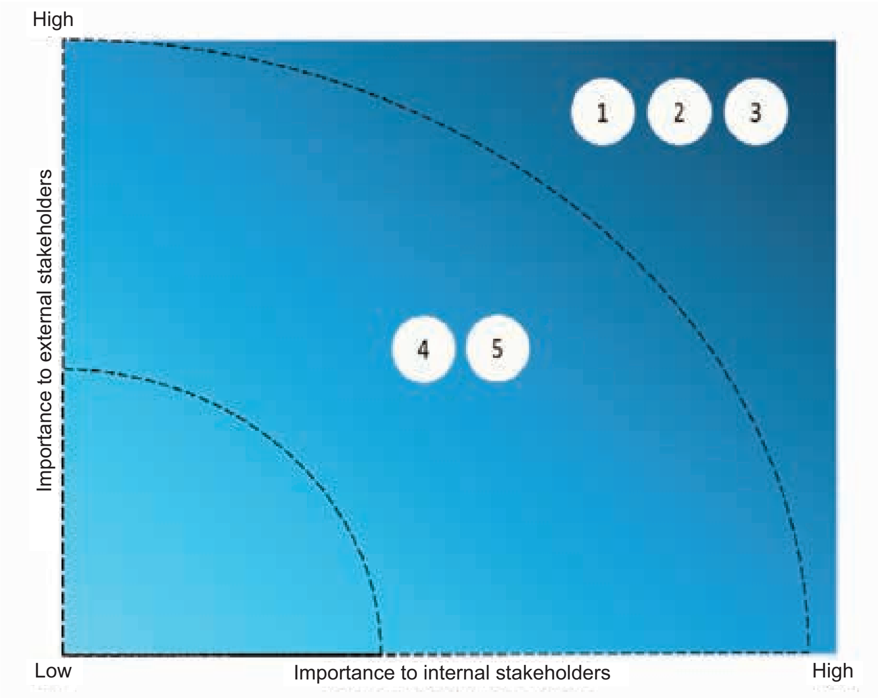
Prioritising sustainability topics is a critical process for us as it sets out the areas that we must focus on as an organisation. It also enables us to systematically report on matters that impact Dyna-Mac and its stakeholders most. To do that, our Sustainability Steering Committee embarked on a formalised Materiality Assessment process in 2017.

In 2017, a materiality assessment workshop was held to identify significant sustainability matters that impact our business activities and its external stakeholders. Arising from the exercise, the Board and Management determined five key sustainability matters to be of highest priority to the Group's sustainability risks and opportunities and the Board is satisfied with the relevance of the selected matters to its business strategy and performance.

A Identification and Analysis	B Evaluation and Prioritisation	C Validation and Assimilation
We work closely with an independent team of sustainability consultants on a list of potential sustainability matters identified through: • Analysis of trends and developments pertinent to Dyna-Mac and the industry it operates in • Analysis of commonly reported sustainability matters amongst Dyna-Mac's peer groups and leading reporters in Singapore • Internal stakeholder interviews and focus group discussions with members of our Sustainability Steering Committee	Members of our Sustainability Steering Committee individually evaluated the list of potential sustainability matters and participated in a formalised Materiality Assessment workshop. An anonymous electronic voting exercise was conducted to prioritise the sustainability matters that are deemed significant to both Dyna-Mac and its external stakeholders.	Our Sustainability Steering Committee reviewed Dyna-Mac's Materiality Matrix and selected 5 key sustainability matters ranked as significant to both Dyna-Mac and its external stakeholders, for reporting. The process and the results were presented to Dyna-Mac's Board of Directors for their validation and approval.

SUSTAINABILITY OVERVIEW

The following are the material factors identified and prioritized:



No.	Material Sustainability Matter	Category	Mapped GRI Standards Topics
1	Corporate governance	Governance	GRI 102: General Disclosure (Governance) GRI 307: Environmental Compliance GRI 419: Socioeconomic Compliance GRI 205: Anti-Corruption
2	Fair employment practices	Social	GRI 401: Employment GRI 404: Training and Education GRI 406: Non-discrimination
3	Health and safety	Social	GRI 403: Occupational Health and Safety
4	Energy and carbon footprint	Environment	GRI 302: Energy GRI 305: Emissions
5	Waste and effluents management	Environment	GRI 306: Effluent and Waste

ABOUT THE REPORT

Dyna-Mac demonstrates our commitment to its second sustainability report for the period 1 January 2018 to 31 December 2018 ("FY2018") and shall publish its report by May 2019. The report will focus on our sustainability strategies and covers our ESG performance across our operations in Singapore for FY2018.

In line with the Company's commitment to environmental sustainability, no hardcopies of this report have been printed. The report can be viewed on our website: http://www.dyna-mac.com/sustainability/sustainability-reports/.

CORPORATE GOVERNANCE

The Board of Directors recognises the importance of corporate governance and the offering of high standards of accountability to the shareholders of our Company. The Company aims to comply with the recommendations of the Code of Corporate Governance 2012 ("Code") through effective self-regulatory corporate practices to protect and enhance the interests of its shareholders. This report describes the Company's corporate governance processes and actions with reference to the Code, Listing Manual of the Singapore Exchange Securities Trading Limited, the Singapore Companies Act, and the Audit Committee Guidebook.

The Directors are pleased to report that the Company has complied in all material aspects with the principles and guidelines set out in the Code for the financial year ended 31 December 2018 ("FY2018"). Where there are deviations from the Code, appropriate explanations are provided.

(I) BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the Management to achieve this objective and the Management remains accountable to the Board.

The Company and its subsidiaries (collectively, the "Group") is led by an effective Board, working together with the Management to achieve success for the Group. The Board is accountable to shareholders for the long-term financial performance of the Group and the Management remains accountable to the Board.

In managing the Group's business, the principal functions of the Board are to:

1. Undertake the strategic planning and setting of long-term objectives for the Group;
2. Approve major investment and funding decisions;
3. Establish a framework of prudent and effective control systems and policies which enables risks to be assessed and managed including safeguarding of shareholders' interest and company's assets;
4. Monitor the financial performance of the Group;
5. Evaluate the performance and determine the compensation of key management personnel;
6. Assume responsibility for corporate governance;

7. Consider sustainability issues including environmental, social and governance matters as material to the business;
8. Identify the key stakeholder groups and recognising that their perceptions affect the Company's reputation; and
9. Set the Group's core values by putting these values together to create benefits for our customers, employees, partners and communities we serve.

The Board is obliged to act in good faith and consider at all times the interest of the Company.

The Company has adopted a set of approving authority limits, setting out the level of authorisation required for specified transactions, including those that require Board approval. To assist in the execution of its responsibilities, the Board has delegated decisions on certain Board matters to the Executive Committee and the various committees. Each committee reviews the matters that fall within the respective terms of reference and reports to the Board which endorses and accepts ultimate responsibilities on such matters.

Matters reserved for Board's approval are:–

- investments and divestments
- corporate restructuring
- share issuance
- interim dividends

Continuing Briefings and Updates

Newly appointed Directors will be briefed by the Management on the history and business operations and corporate governance practices of the Group. The Board is also updated from time to time on changes to regulations and accounting standards which have a material bearing on the Company.

Senior management conducts orientation and induction programmes to familiarise new directors with its business and governance practices so that the directors can understand the Company's business to assimilate into their new roles. The programmes also allow new directors to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

Continuing briefings and updates could be provided in areas such as directors' duties and responsibilities for the newly appointed directors, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, updates on industry trends and developments and changes in trends in governance practices.

Existing Directors are updated on the Group's businesses and the regulatory and industry-specific environments which the entities of the Group operate. Updates on relevant legal, regulatory and technical developments may be in writing or disseminated by way of briefings, presentations and/or hand outs.

Briefings and updates provided to the Board members of the Company in the FY2018 were:

(a) at every AC meeting, the external auditor briefs the AC members on developments in accounting and governance standards;
(b) the CEO updates the Board at each meeting on business and strategic developments in the industry.

The Company will issue a formal letter of appointment to new Directors indicating the time commitment required and setting out their duties and obligations when they are appointed.

To assist in the execution of its responsibilities, the Board has delegated decisions on certain Board matters to specialised Board Committees. Minutes of the Board Committee Meetings are available to all Board members.

During FY2018, at least four scheduled Board Meetings were held. Ad hoc meetings are held when the circumstances require. In FY2018, ad hoc meetings have been held by the Non-executive and Independent Directors without the presence of Management. Details relating to the number of Board and Committee Meetings held during this financial year and the attendance of the Directors are set out on Page 29 of this report.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from the Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six Directors, of whom two are Executive Directors, one is Non-Executive Director and three are Independent Directors. The Nominating Committee conducted its annual review of the Directors' independence and has determined Mr. Tan Soo Kiat, Dr Ong Seh Hong and Ms Lee Kim Lian as Non-Executive Independent Directors. The Code provides that the independent directors should make up at least half of the Board where the Chairman also holds the position of Chief Executive Officer. All three Independent Directors collectively comprise fifty per cent of the Board.

The Board is supported by various committees, namely, the Audit Committee, the Remuneration Committee and the Nominating Committee whose powers and duties are described in this report. The various committees are chaired by Independent Directors. The Board is able to exercise objective judgement independently from Management and no individual or small group of individuals dominates the decisions of the Board. Non-Executive Directors, when presented with proposals,provide guidance to Management on different aspects of the Company's business. The Independent Directors constructively challenge and assist in the development of proposals on strategies, and assist the Board in reviewing the performance of Management. The profile of the members of the Board is set out in the "Board of Directors" section of the Annual Report.

The Board is made up of Directors who are qualified and experienced in various fields including business and management, accounting, finance as well as engineering industry.

CORPORATE GOVERNANCE

The Board has delegated the Nominating Committee (the "NC") to annually review the size and composition of the Board with a view to maintaining an appropriate balance of expertise, skills and attributes taking into the needs of the Group.

The Board is of the opinion that, given the scope and nature of the Group's operations, the size of the Board is appropriate for effective decision making.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Although Mr Desmond Lim, who is the Executive Chairman of the Group, also holds the position of the Chief Executive Officer, the Company always ensures that there is clear division of responsibilities between these two roles. As the Executive Chairman of the Group, with the assistance of the Management, he is responsible for the leadership of the Board to ensure its effectiveness in all aspects, approves the agendas for the Board meetings ensuring sufficient time is allocated for discussion of all agenda items and promotes an open environment for debates by all members of the Board which facilitates effective contribution by executive and non-executive directors and the Management. He ensures all material information is provided in timely manner to the Board for the Board to make good decisions. The Chairman takes a leading role in ensuring the Company's compliance with corporate governance guidelines with the full support of the Board, Company Secretary and Management. At annual general meetings and other shareholders' meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. Whereas, as the Chief Executive Officer, he bears executive responsibility for the Group's business, management of the day-to-day operations of the Group and the achievement of the corporate goals set for the Group.

In addition, the establishment of various committees with power and authority to perform key functions beyond authority of, or without undue influence from the Executive Chairman (or Chief Executive Officer), and the putting in place of various internal controls, are able to promote an effective Board oversight, appropriate balance of power and the spirit of good corporate governance.

In view that the Chairman is not an independent Director, the Board has appointed Mr Tan Soo Kiat as the Lead Independent Director. As the Lead Independent Director, he is the contact person for shareholders in situations where there are concerns or issues in which communications with the Chairman and the Management have failed to resolve or where such communication is inappropriate.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees the contribution by each director to the effectiveness of the Board.

The Nominating Committee ("NC") comprises three Independent Directors and one Non-Executive Director:

Ms Lee Kim Lian Juliana (Appointed on 1 June 2018) – Independent (Chairman)

Mr Tan Soo Kiat – Independent (Member)

Dr Ong Seh Hong – Independent (Member)

Mr Chor How Jat (Appointed on 30 January 2018) – Non-Executive/Non-Independent (Member)

Annual Review of Directors' Independence

The NC reviews annually, and as and when circumstances require, the independence of each director based on their business relationships with the Group, relationship with members of Management, relationship with the Company's substantial shareholder as well as the Director's length of service.

The NC is pleased to confirm that none of the Independent Directors has any relationships as described above which could interfere or be perceived to interfere with such director's independent judgement.

The Code states that the independence of any director who has served on the Board beyond nine years from the date of his appointment should be subject to particularly rigorous review. In this regard, the NC is pleased to confirm that none of the Directors has served more than nine years on the Board.

Process for Selection and Appointment of New Directors

The NC conducts annual review of the composition of the Board in terms of the size and mix of skills and qualifications of Board members. It may, if it deems appropriate, recommend the appointment of additional directors to strengthen the composition of the Board or as part of ongoing Board renewal process. The NC will review and identify the desired competencies for a new appointment. Where there is a resignation or retirement of an existing director, the NC re-evaluates the Board composition to assess the competencies for the replacement and submits its recommendations to the Board for approval.

A set of criteria has to be determined by the NC to assess all new appointments and the following are some of the criteria generally used:

(a) integrity;

(b) independent mindset;

(c) ability to commit time and effort to carry out duties and responsibilities effectively; and

(d) past achievements and value-add to the company.

Search

Candidates are first sourced through a network of contacts and identified based on the established criteria. Recommendations from Directors and Management are the usual source for potential candidates. Where applicable, search through external search consultants can be considered.

Selection

The NC will shortlist candidates and conducts formal interviews with each of them to assess their suitability and to verify that the candidates are aware of the expectations and the level of commitment required. Finally, the NC will make recommendations on the appointment(s) to the Board for approval.

The key terms of reference of the NC are:

(a) to review and recommend the re-election of Directors having regard to our Director's contribution and performance;

(b) determining annually whether or not a director is independent;

(c) deciding whether or not a director is able to and has been adequately carrying out his duties as a director;

(d) review and recommends all new Board appointments; and

(e) evaluates the performance of the Board as a whole.

Board Evaluation Process

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term shareholders' value. Individual board member provides feedback on their assessment of the Board's performance based on a set of qualitative criteria and financial performance indicators. The Board also implements a process to be carried out by the NC for assessing the effectiveness of the Board as a whole annually.

Each member of the NC shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as Director.

Board Evaluation for FY2018

Each board member is required to complete a Board Evaluation Questionnaire and send the Questionnaire direct to our Company Secretary who would prepare a consolidated report for the NC. The NC chairman presents the findings to the Board.

Based on the overall assessment for FY2018, the Board was effective as a whole.

Commitments of Directors Sitting on Multiple Boards

The NC viewed that it would be best to have a qualitative assessment of the directors' contribution rather than placing a numerical limit on the number of directorships a director should hold. Each director would assess his abilities and time commitments and confirm annually to the NC of his ability to devote sufficient time and attention to the Company's affairs having regards to his other commitments. There has been no incident where the Directors were not able to devote their time and attention to the affairs of the Company to adequately discharge their duties.

Currently, Mr Teo Boon Hwee Simon is appointed as alternate director to our Chairman & CEO, Mr Lim Tze Jong Desmond. Our alternate director will represent the Chairman & CEO in board meetings only when our Chairman & CEO is physically not available when travelling or during leave of absence.

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management recognises the importance of providing the Board with relevant and adequate information.

Board papers are generally sent to Directors in a timely manner prior to meetings of the Board and these would ordinarily include:

1. financial statements, budget and management reports;
2. health, safety and environment reports;
3. human resource report;
4. papers pertaining to matters requiring the Board's decision; and
5. updates on key outstanding issues, strategic plans and developments in the Group.

The Company circulates copies of the Minutes of the Meetings of all Board Committees to all members of the Board to keep them informed of the on-going developments within the Group.

Each Director has separate and independent access to the Management and the Company Secretary at all times. Should the Board, whether as a group or individually, require independent professional advice, such professionals (who will be selected with the approval of the Chairman or the Chairman of the Committee requiring such advice) will be appointed at the Company's expense.

The Company Secretary attends all Board Meetings and is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. With the assistance of the Management and at the direction of the Chairman of the various committees, the Company Secretary facilitates the information flow within the Board and its committees and between the senior management and the non-executive directors. The appointment and the removal of the Company Secretary are decisions taken by the Board as a whole.

CORPORATE GOVERNANCE

(II) REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Principle 8: The level and structure of remuneration should be aligned with long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Remuneration Committee ("RC") comprises three Independent Directors and one Non- Executive Director:

Dr Ong Seh Hong – Independent (Chairman)

Mr Tan Soo Kiat – Independent (Member)

Mr Chor How Jat (Appointed on 30 January 2018) – Non-Executive/Non-Independent (Member)

Ms Lee Kim Lian Juliana (Appointed on 1 June 2018) – Independent (Member)

The RC recommends to our Board a framework of remuneration for our Directors and key management personnel.

The recommendations of our RC are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, benefits-in-kind and termination clauses are covered by our Remuneration Committee.

In addition, our RC performs an annual review of the remuneration of employees related to our Directors who are employed in managerial positions to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They also review and approve any bonuses, pay increases and/or promotions for these employees.

The RC may from time to time, and where necessary or required, engage external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Among other things, this helps the Company to stay competitive in its remuneration packages.

In FY2018, the RC did not require the service of any external consultants.

As regards the Company's obligations arising in the event of termination of the executive directors' and key management's contract of service, RC will review that the terms are fair and reasonable.

Our Non-Executive Directors receive directors' fee in cash component payable quarterly in arrears. The payment of directors' fee is contingent upon shareholders' approval.

Each member of the RC shall abstain from voting any resolutions in respect of his remuneration package.

The RC administers the Company's Share Option Scheme (DMSOS) and Share Award Scheme (DMSAS), both of which were approved at an Extraordinary General Meeting on 16 February 2011, in accordance with the rules of the schemes.

The RC determines and approves the allocation of the share options, the date of grant and the price thereof. There were no share options granted during FY2018. Details of the DMSOS are set out on Page 27 of this Annual Report.

DMSAS, the share-based incentive plan allows certain employees to participate in the growth of the Group and to attract and retain key management employees. At the end of FY2018, there were no shares issued under the DMSAS. Details of the DMSAS are set out on Page 27 of this Annual Report.

The executive directors do not receive directors' fees. The remuneration for the executive directors and key management employees comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. There were no termination, retirement and post-employment benefits granted under the contracts of service of the executive directors and key management employees.

The Company did not utilise the DMSOS and DMSAS since its adoption on 16 February 2011.

The Group believes that its current remuneration and reward system is aligned with the long-term interest of the Group. Given that the variable components of the executive directors and key management personnel are moderate, there is no contractual provision to allow the Group to reclaim their incentive components.

DISCLOSURE ON REMUNERATION

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Due to the confidentiality and sensitivity of remuneration packages, it is in the best interest of the Group to disclose remuneration of the directors and key executives in bands of $250,000 rather than in full.

The remuneration of Directors of the Company for FY2018 is set out on Page 28 of this report.

(III) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects. Such information are furnished through Company's announcements and press released of its quarterly and annual financial results as soon as practicable.

Management keeps the Board regularly updated on the Group's business activities and financial performance by providing operations reports and management accounts at the quarterly board meeting, enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

In line with the requirements of SGX-ST, negative assurance confirmations on interim financial results were issued by the Board confirming that to the best of its knowledge, nothing had come to the attention of the Board which may render the Company's quarterly results to be false or misleading in any material aspect.

The Board and executive officers of the Group also signed a letter of undertaking pursuant to Rule 720(1) of the SGX-ST Listing Manual.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interest and the company's assets, and should determine the nature and extend of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the overall internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets. However, the Board and the AC recognise that no system of internal controls will preclude all errors, irregularities, material financial misstatements or loss, nor can it provide absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Board and the AC commissioned an Enterprise Strategy and Risk Assessment Exercise aimed at identifying, filtering, assessing and compiling the enterprise strategies and key risks as well as assessing the general control environment of the Group. From this exercise, an Internal Audit Plan has been developed based on the identified strategies and respective key risks. Suitable audit resources are being allocated in priority of risk ranking with a view to achieving an optimal balance between risks and returns. During the financial year, the Group's external auditors had also conducted review of the effectiveness of the Group's internal controls as part of their on-going audit. Material non-compliance and recommendation for improvement were reported to the AC. The AC, with the participation of the Board, has reviewed the adequacy and effectiveness of the Group's risk management and internal controls that address the Group's financial, operational, compliance risk and information technology controls. The AC has also reviewed and will continue to monitor the effectiveness of the actions taken by the Management on the recommendations made by the auditors in this respect.

Pursuant to Rule 1207(10) of the Listing Manual, based on the audit reports and recommendations from the internal and external auditors, the actions taken by the Management, the on-going review and continuing efforts at enhancing controls and processes, the Board, with the concurrence of the AC, is satisfied that the system of internal controls in place are adequate in meeting the needs of the Group to address the financial, operational and compliance risks.

The Board has received the assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements for FY2018 give a true and fair view of the Company's finances and that the Company's risk management and internal control systems are effective.

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC presently comprises three Independent Directors and one Non-Executive Director:

Mr Tan Soo Kiat – Independent (Chairman)

Dr Ong Seh Hong – Independent (Member)

Mr Chor How Jat (Appointed on 30 January 2018) – Non-Executive/Non-Independent (Member)

Ms Lee Kim Lian Juliana (Appointed on 1 June 2018) – Independent (Member)

The role of the AC is to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and to develop and maintain a high standard of transparency and reliability of its corporate disclosures. The Board is of the opinion that the members of the AC possess the necessary qualifications and experience in discharging their duties. The details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

The duties of the AC under the terms of reference are as follows and the AC has undertaken to perform its functions in accordance with these terms of reference during the financial year:

(a) To review the audit plans of the external auditors and the internal auditors, including the results of the external and internal auditors' review and evaluation of the system of internal controls;

(b) To review the annual consolidated financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards (International), concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board of Directors for approval;

(c) To review the periodic consolidated financial statements comprising the statements of comprehensive income and the balance sheets and such other information required by the Listing Manual, before submission to the Board of Directors for approval;

(d) To review and discuss with external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

(e) To review the co-operation given by the Management to the external auditors;

CORPORATE GOVERNANCE

(f) To recommend to the Board, the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;

(g) To review and ratify any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

(h) To review any potential conflicts of interest;

(i) To review the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions in relation thereto;

(j) To undertake such other reviews and projects as may be requested by the Board of Directors, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(k) To review all non-audit services provided by the external auditors to ensure that they would not in the Committee's opinion affect the independence of the auditors;

(l) To review the adequacy of the Company's internal financial controls, operational and compliance controls and risk management policies and systems established by the Management;

(m) To review and approve foreign exchange hedging policies implemented by the Group and conduct periodic review of foreign exchange transactions and hedging policies and procedures;

(n) To undertake generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time; and

(o) To review and discuss with the external auditors any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position and Management's response.

The AC has full access to the Company's internal auditor and Management and has full discretion to invite any director and executive officer to attend its meetings and investigate any matter within its terms of reference. In performing its functions, the AC also reviews the assistance given by the Company's officers to the auditors as well as the adequacy of the internal audit function, its effectiveness and its resources. The AC meets with the internal auditor at least half-yearly. The internal auditor can approach any of the members of the AC without the presence of the Management.

Changes to accounting standards and accounting issues which a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their quarterly reviews with the AC.

The AC meets with the external auditors, without the presence of the Management at least once annually. The Company confirms that it has complied with Rules 712 and 715 of the Listing Manual in engaging Ernst & Young LLP, registered with the Accounting and Corporate Regulatory Authority, as the external auditors of the Company and of its Singapore incorporated subsidiaries. The AC reviews the independence of the external auditors annually. The AC, having reviewed the range and value of non-audit services performed by the external auditors, Ernst & Young LLP, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid and payable by the Group to the external auditors for the financial year ended 31 December 2018 was approximately $314,000, of which audit fees amounted to approximately $230,000 and non-audit fees amounted to approximately $84,000.

The AC recommended that Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming AGM. There is no member of the AC who was a former partner or director of the Company's existing auditing firm within the past 12 months; or holds any financial interest in the auditing firm.

AC commentary on Key Audit Matters in the Independent Auditor's Report

The AC discussed the key audit matters for FY2018 with Management and the external auditors. The AC concurred with the basis and conclusions included in the FY2018 Independent Auditor's Report with respect to the key audit matters.

For more information on the key audit matters, please refer to Pages 43 to 45 of this Annual Report.

WHISTLE-BLOWER POLICY

High ethical standards and professional conduct is expected of staff. The Group has communicated to all staff the conduct and discipline expected of them. It has implemented the Whistle-Blower Policy which provides for the mechanisms by which employees, of all levels, may in confidence raise concerns about possible improprieties in financial reporting or other matters. The first reporting channel would be the CEO and if that is not suitable, the whistle-blower may contact any of the AC members. The AC ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow up action. All investigations, results and actions taken are documented. Anonymous complaints are also investigated.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

With the approval of AC who had reviewed that the firm of internal audit is adequately resourced, the Company outsources its internal audit function to Shinnes Consulting and Advisory Pte. Ltd. a professional internal audit firm ("IA"). Through the IA, the Group has established its Enterprise Risk Management Framework to manage its risks exposure. The IA has undertaken the Enterprise Strategy and Risk Assessment to produce an Enterprise Risk Management Report for review by the AC.

The IA who reports to the AC is independent of the activities it audits.

The IA assists the AC to independently review the system of internal controls as established by the Management of the Company and its Singapore incorporated subsidiaries which provide the Board with much assurance it requires regarding the adequacy and integrity of the Group's system of internal control. The IA reviews the internal controls in the key activities of the business based on an internal audit strategy and a detailed internal audit plan approved by the AC. The IA adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the Group. The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the IA.

Recommendations for improvements noted by the IA are being followed up for implementation by the Management. The AC considers the report from the IA before reporting and making recommendations to the Board in strengthening risk management, internal control and governance system.

(IV) COMMUNICATIONS WITH THE SHAREHOLDERS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders and allow shareholders the opportunity to communicate their views on various matters affecting the company.

(a) Communications with Shareholders

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders of the Company, in compliance with the requirements set out in the Listing Manual of the Singapore Exchange Securities Trading Limited with particular reference to the Corporate Disclosure Policy set out therein. In this respect, the Company announces its quarterly and full year results to shareholders within the mandatory period via SGXNet and posted on the SGX-ST website. The Company does not practice selective disclosure of material information. Management holds face-to-face briefings to present quarterly and full-year results for the media and analyst.

In accordance with the Company's Investor Relations Policy, the Group's Investor Relations ("IR") team is tasked with and focuses on facilitating communications between the Company and its Shareholders, as well as with the investment community. The IR team conducts roadshows and participates in investors' seminars, conferences and hold analysts briefings to keep the market and investors apprised of the Group's corporate developments and financial performances. The aim of such engagements are to provide Shareholders and investors disclosures of relevant information which enables them to understand the business and performance of the Group better.

Materials used at the briefing are made available on SGXNet and on the Company's website @ www.dyna-mac.com.

(b) Greater Shareholder Participation

At general meetings, shareholders of the Company are given the opportunity to air their views and ask the Directors or Management questions regarding the Company. The Board and the Management are present at these meetings to address any questions that shareholders may have. The external auditors are also present to address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

At general meetings, the Company sets out separate resolutions on each substantially separate issue and Shareholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions to be passed.

The Company Secretary prepares minutes of shareholders' meeting, which incorporates substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon their requests.

For greater transparency, the Company has implemented electronic poll voting and will continue to adopt the electronic polling voting system at its forthcoming AGM in April 2019. The voting results of all votes cast for, or against, each resolution are screened at the meeting and announced to the SGX-ST after the meeting. The Company will continue to use the electronic poll voting system.

DEALINGS IN SECURITIES

In line with the Rules of the SGX-ST's Listing Manual, the Company has adopted a policy prohibiting its officers from dealing in the Company's shares whilst they are in possession of material unpublished price sensitive information and during the period commencing two weeks before the announcement of the Company's quarterly financial statements, or one month before the announcement of the Company's full year financial results, as the case maybe, and ending on the date of announcement of such financial results. In addition, Directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

EMPLOYEE SHARE SCHEMES

In conjunction with our listing on the SGX-ST, we have adopted the Dyna-Mac Employee Share Award Scheme (DMSAS) and the Dyna-Mac Share Option Scheme (DMSOS) both of which were approved at an Extraordinary General Meeting of our Shareholders held on 16 February 2011.

The DMSAS and DMSOS are designed to complement each other in our Company's efforts to reward, retain and motivate employees to achieve better performance.

The focus of the DMSAS is principally to target management in key positions who are able to drive the growth of the Company through creativity, firm leadership and excellent performance.

In contrast, the DMSOS is meant to be more of a "loyalty" driven time-based incentive program.

Details of the DMSAS and DMSOS are set out in our Prospectus dated 21 February 2011 which is available for inspection at the registered office of the Company.

Since the commencement of the DMSAS and DMSOS in 2011 until the end of FY2018, no award of shares and no options were granted.

CORPORATE GOVERNANCE

The remuneration of Directors of the Company for the financial year ended 31 December 2018 is set out below:

Remuneration band & name of Directors of the Company	Director's Fee	Salary	Variable Performance Related Bonus	Allowance & Benefits	Total
	%	%	%	%	%
$750,000 to $1,000,000					
Lim Tze Jong(1)	–	82%	12%	6%	100%
$250,000 to $500,000					
Lim Tjew Yok(1)	–	87%	13%	–	100%
Teo Boon Hwee	–	87%	13%	–	100%
Below $250,000					
Tan Soo Kiat	100%	–	–	–	100%
Ong Seh Hong	100%	–	–	–	100%
Chor How Jat(2)	100%	–	–	–	100%
Lee Kim Lian Juliana(3)	–	–	–	–	–
Varghese John(4)	–	100%	–	–	100%

The remuneration of the key executives of the Company for the financial year ended 31 December 2018 is set out below:

Remuneration band & name of key executives of the Company	Director's Fee	Salary	Variable Performance Related Bonus	Allowance & Benefits	Total
	%	%	%	%	%
$250,000 to $500,000					
Tiong Sai Lan	–	87%	13%	–	100%
Below 250,000					
Varghese John(4)	–	87%	13%	–	100%
Satish Malik(5)	–	87%	7%	6%	100%
Chong Swee Lee	–	85%	15%	–	100%
Chin Woon Kwong Ian	–	85%	15%	–	100%
Lee Poh Tong(6)	–	94%	6%	–	100%

Saved as disclosed above, there is no immediate family member of a Director whose remuneration has exceeded $50,000 for the financial year ended 31 December 2018.

Notes:

1. Lim Tze Jong and Lim Tjew Yok are siblings.
2. Chor How Jat was appointed Non-Executive/Non-Independent Director on 30 January 2018.
3. Lee Kim Lian Juliana was appointed Independent Director on 1 June 2018. Director's fees for FY2018 shall be paid to Juliana upon passing of resolution in the coming AGM.
4. Varghese John retired from the Board on 25 April 2018. However, Varghese continued his employment as the Senior Chief Corporate Officer of the Group.
5. Satish Malik was appointed on 17 September 2018.
6. Lee Poh Tong resigned on 15 February 2018.

Attendance at Board and Committee Meetings during the financial year ended 31 December 2018

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Lim Tze Jong	4	4	4	4*	2	1*	1	1*
Lim Tjew Yok	4	3	4	3*	2	1*	1	1*
Tan Soo Kiat	4	4	4	4	2	2	1	1
Ong Seh Hong	4	4	4	4	2	2	1	1
Chor How Jat	4	4	4	4	2	1	1	1
Lee Kim Lian Juliana	4	2	4	2	2	–	1	–
Varghese John(1)	4	1	4	1*	2	1*	1	1*

* Attended by invitation

(1) Varghese John retired from the Board on 25 April 2018. However, Varghese continued his employment as the Senior Chief Corporate Officer of the Group.

HUMAN CAPITAL

FAIR EMPLOYMENT PRACTICES

We have in place systems and practices that are fair, merit-based and non-discriminatory to attract, reward and retain our employees. The Group is also a signatory of the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP), pledging to adopt fair and progressive human resource practices and providing a harmonious and inclusive work environment for our diverse workforce, regardless of race, ethnicity, religion, age and gender. Our employee retention strategy focuses on training, career development and employee engagement. We also have in place a grievances mechanism for employees to report incidences without fear of reprisal, discrimination of other consequences.

To affirm our philosophy and commitment, we are among the early adopters of four applicable TAFEP Tripartite Standards in 2018.

The relevant four applicable TAFEP Tripartite Standards are:

1. Employment of Term Contract Employees
2. Flexi Work Arrangements
3. Grievances Handling
4. Recruitment Practices

Employment of Term Contract Employees

The Group complies with all statutory benefits under the Employment Act and the Child Development Savings Act, in particular leave benefits and termination/non-renewal of contract specifications.

Flexi Work Arrangements

We support part-time employment and have revised to shorten work week for some of the support functions employees (from 5.5 days to 5 days). We will review and explore more flexible working patterns to support our operations and yet not lose out on our competitiveness and productivity.

Grievances Handling

A grievances procedure is in place as a mean for employees to exercise their rights. Employees can bring to the attention of supervisors and management any potential issues that they face.

Recruitment Practices

The Group believes in fair employment practices and great emphasis is placed on people.

We progressively review and implement employment practices to be in line with the key principles of fair employment and select employees based on their qualifications and experiences.

There were no reported incidents of discrimination by employees in 2018.

NTUC May Day Awards 2018

Dyna-Mac was conferred the Plague of Commendation for NTUC May Day 2018 for continuous support and contribution towards good labour-management relations, workers' welfare and NTUC initiatives. We worked closely with the Shipbuilding and Marine Engineering Employees' Union (SMEEU) and the Migrant Workers' Centre to ensure that our migrants were safely repatriated with fair compensation during 2017 right-sizing exercise.

HUMAN CAPITAL

EMPLOYEES PROFILE

As at end 2018, Dyna-Mac's total manpower strength stood at 817. Of these, 91 per cent were males and 9 per cent were females.

	SENIOR MANAGEMENT (VP and above)		MANAGERIAL (HOD to GM)		EXECUTIVE (includes supervisor and the rest of non NTS)		NON-EXECUTIVE/ WORKERS		TOTAL
HEADCOUNT	8		42		202		565		817
BREAKDOWN BY GENDER									
Female	2	25%	6	14%	42	21%	24	4%	**9%**
Male	6	75%	36	86%	160	79%	541	96%	**91%**
BREAKDOWN BY AGE GROUP									
16 to 30	0	0%	1	2%	24	12%	308	55%	**41%**
31 to 45	0	0%	23	55%	139	69%	211	37%	**46%**
46 to 60	4	50%	17	41%	36	18%	42	7%	**12%**
61 & above	4	50%	1	2%	3	1%	4	1%	**1%**

WORKPLACE SAFETY AND HEALTH

Dyna-Mac believes in constantly educating employees on the importance of health, safety and the environment (HSE).

WSH Safety and Health Award Recognition for Projects (SHARP) Awards 2018

Dyna-Mac was presented two WSH SHARP Awards by the Workplace Safety and Health (WSH) Council and supported by the Ministry of Manpower in 2018 which recognises projects or worksites that have good safety, namely, Upper Zakum, UZ750 Islands Surface Facilities and Culzean Development FSO Topside Modules Fabrication carried out in 2017. The awards recognise projects carried out by the Group have performed well and contributed to achieving excellence in workplace safety through the implementation of sound WSH management systems and processes.

In 2018, the Group conducted trainings to enhance workplace safety.

Leadership competency training and engagement

Creating a safe workplace requires active participation at all levels of the organisation. Supervisors and foremen are site leaders and they play a key role in holding together the many moving parts of a safety program, from training and hazard identification to equipment inspections and record keeping. An engaged workforce contributes to a safer workplace by participating in safety discussions, planning for and anticipating hazards, actively working to keep peers safe, reporting hazards and near misses, and challenging decisions when appropriate.

Hazard intervention and recognition for workers who attain 100% attendance

Dyna-Mac believes behavioural safety initiatives demonstrate care for its workers, instill in them safe work practices, and reduce the incidence of at-risk work behaviours. Every worker is encouraged to actively look out for their colleagues. If safe behaviours are observed, they should offer positive reinforcement and encouragement (e.g., verbal praise). However, if they observe at-risk work behaviours, they should not hesitate to intervene immediately on-site by expressing concerns for their colleagues' safety, and offer safer alternatives to conduct work.

WORKPLACE SAFETY AND HEALTH

Safety Trainings

In 2018, a total of 135 employees, 4,179 contractors and 413 visitors and customers underwent safety induction training in our Singapore yard while 4,999 participants attended safety in-house training courses covering topics such as hot work safe work procedures, gratings management, usage of power tools, manual handling, pressure testing and work at height, as well as courses directly related to their work environment.

SAFETY INDUCTION TRAINING

	Singapore Yard		
	2016	**2017**	**2018**
Employees	143	601	135
Contractors	8,259	1,838	4,179
Visitors/Clients	699	699	413
Total	9,101	3,138	4,727

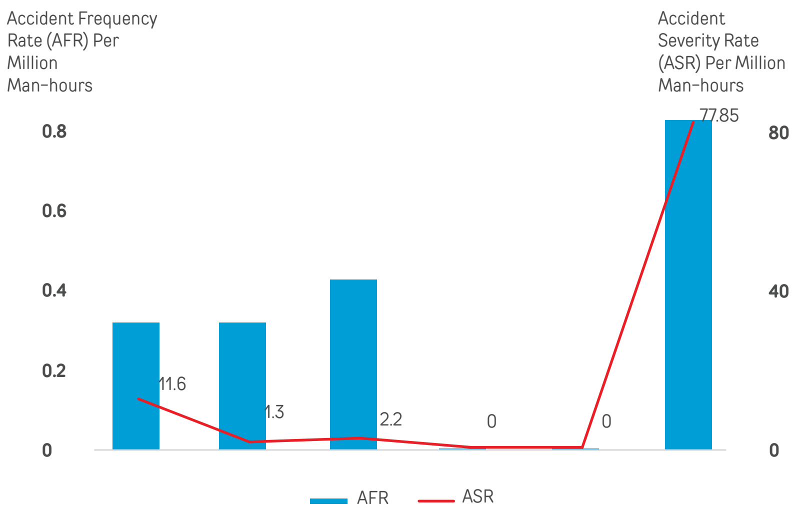
SAFETY IN-HOUSE TRAINING

	Singapore Yard		
	2016	**2017**	**2018**
No. Attended	4,110	5,189	4,999
No. of Runs	229	190	321

Our HSE goal has always been zero incidents and accident free. In 2018, the Group's Accident Severity Rate (ASR) increased to 77.85 man-days lost per million man hours while the Accident Frequency Rate (AFR), a measure of incidents per million man-hours, increased to 0.78. The Group's Workplace Injury Rate (WIR) 2018 stand at 206.32 incidents per 100,000 persons employed (including contractors). Our contractors accounted for approximately 72% of these reportable incidents.

The Group's contractors account for two-thirds of reportable incidents in 2018, at 66.7% compared with 16.7% in the previous year. Reportable incidents for the Group's employees decreased from 83.3% to 33.3%. The Group will continuously monitor and evaluate the performance of its contractors, as well as engaging and enhancing their supervisory capabilities through Leadership Competency Workshop Assessment, inspections of operations, rewarding good performance, hazard recognition and intervention program with 100% attendance and implement trainings to ensure all personnel are equipped for compliance with the Group's HSE standards. We have since taken extra measures together with our contractors to minimise further incidents.

DYNA-MAC SAFETY PERFORMANCE



COMMUNITY OUTREACH

Contributing to the well-being of the society is a cornerstone of our business strategy.

In respect of corporate philanthropy, the Company continues to support charity through participation in fundraising activities.

In 2018, the Company participated in the SGX Charity Golf 2018 and Run & Raisin Charity Run.

Our first event for 2018 was SGX Charity Golf 2018 organised by SGX, of which the proceeds go towards supporting SGX's adopted beneficiaries.

The second event was Run & Raisin Charity Run organised by TOUCH Community Services annually. All proceeds will go towards supporting TOUCH's work among youths-at-risk, disadvantaged seniors, people with special needs and vulnerable families.

INVESTOR RELATIONS

PROACTIVE COMMUNICATIONS WITH THE FINANCIAL COMMUNITY

The Group is proactive in maintaining regular two-way communications with the investment community, comprising institutional investors and financial analysts.

The investment community was kept updated through multiple communication platforms, including meetings, conference calls, and other investor communication engagements in 2018. These activities allow potential and existing investors to gain timely and deeper insights into the Group's operations and to make informed investment decisions.

SHAREHOLDER COMMUNICATIONS

The Group continues to keep shareholders informed of its corporate activities on a timely basis through quarterly and full year financial results and other disclosures as required under the SGX-ST Listing Manual through SGXNet and our corporate website.

General meetings of the Group represent the principal forum for dialogue and interaction with shareholders. In 2018, The Group's Annual General Meeting was held at our head office at 45 Gul Road on 25 April 2018 and transport was arranged to ferry the shareholders from the nearest MRT station to our office for their convenience. The meeting allowed the shareholders to interact with the Group's Chairman and Chief Executive Officer, Board members and senior management to gain deeper insights into the Group's operations.

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDINGS AS AT 13 MARCH 2019

Share Capital
Number of Issued Shares: 1,023,211,000

Number of Treasury Shares: Nil

Class of Shares and Voting Rights: Ordinary Shares with one vote per share

Shareholding held by the Public
Based on the information available to the Company as at 13 March 2019, approximately 33.67% of the total number of issued shares of the Company is held by the public and therefore Rules 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest (No. of Shares)	Deemed Interest (No. of Shares)	Total Interest (No. of Shares)	%
Lim Tze Jong[1]	417,776,000	–	417,776,000	40.83
KS Investments Pte. Ltd.[2]	250,000,000	–	250,000,000	24.43
Keppel Offshore & Marine Limited [2][3]	–	250,000,000	250,000,000	24.43
Keppel Corporation Limited[3][4]	–	250,000,000	250,000,000	24.43
Temasek Holdings (Private) Limited[4]	–	255,443,000	255,443,000	24.96

Notes:
1. Lim Tze Jong's direct interest in the 417,776,000 shares comprises of 93,000 shares registered under his name and the remaining 417,683,000 shares are held through Raffles Nominees (Pte) Ltd.
2. Keppel Offshore & Marine Limited owns 100% of KS Investments Pte. Ltd. and accordingly is deemed by virtue of Section 7(4) of the Companies Act. Chapter 50 (the "Act") to have an interest in Shares held by KS Investments Pte. Ltd.
3. Keppel Corporation Limited owns 100% of Keppel Offshore & Marine Limited and accordingly is deemed by virtue of Section 7(4) of the Act to have an interest in Shares held by Keppel Offshore & Marine Limited.
4. Temasek Holdings (Private) Limited's deemed interest arises from the aggregation of the deemed interest held by Fullerton Fund Management Company Ltd and Keppel Corporation Limited by virtue of Section 7(4A) of the Act.

MAJOR SHAREHOLDERS LIST – TOP 20

NO.	NAME	NO. OF SHARES HELD	%
1	RAFFLES NOMINEES (PTE) LTD	430,097,600	42.03
2	KS INVESTMENTS PTE LTD	250,000,000	24.43
3	OCBC SECURITIES PRIVATE LTD	49,693,500	4.86
4	CITIBANK NOMINEES SINGAPORE PTE LTD	15,082,200	1.47
5	DBS NOMINEES PTE LTD	13,997,800	1.37
6	DBSN SERVICES PTE LTD	10,670,000	1.04
7	UOB KAY HIAN PTE LTD	6,351,000	0.62
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,668,000	0.46
9	PHILLIP SECURITIES PTE LTD	4,652,200	0.45
10	MAYBANK KIM ENG SECURITIES PTE LTD	4,053,400	0.40
11	SASIKUMARAN PILLAI S/O MANMATHAN PILLAI	3,968,000	0.39
12	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,659,400	0.36
13	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	2,997,200	0.29
14	LIU YE	2,519,900	0.25
15	LIM & TAN SECURITIES PTE LTD	2,345,500	0.23
16	HABACUS PTE LTD	2,000,000	0.20
17	KHOO CHEE BEEN	2,000,000	0.20
18	LIM TJEW YOK	2,000,000	0.20
19	VARGHESE JOHN	2,000,000	0.20
20	POH HO PENG	1,950,000	0.19
		814,705,700	**79.64**

LOCATION OF SHAREHOLDERS

COUNTRY OF RESIDENCE	NO. OF SHARES	%	NO. OF SHAREHOLDERS	%
Singapore	971,774,380	94.97	2,770	72.76
Malaysia	4,314,400	0.42	76	1.99
Australia/ New Zealand	55,000	0.01	3	0.08
Others	47,053,220	4.60	955	25.08
Hong Kong	10,000	0.00	1	0.03
UK	3,000	0.00	1	0.03
Europe	1,000	0.00	1	0.03
	1,023,211,000	**100.00**	**3,807**	**100.00**

ANALYSIS OF SHAREHOLDINGS

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	10	0.26	254	0.00
100 – 1,000	107	2.81	89,915	0.01
1,001 – 10,000	1,268	33.31	9,301,640	0.91
10,001 – 1,000,000	2,385	62.65	174,400,050	17.04
1,000,001 AND ABOVE	37	0.97	839,419,141	82.04
	3,807	**100.00**	**1,023,211,000**	**100.00**

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited consolidated financial statements of Dyna-Mac Holdings Ltd. ("the Company") and its subsidiaries (collectively, "the Group") and the balance sheet of the Company for the financial year ended 31 December 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Lim Tze Jong	
Lim Tjew Yok	
Tan Soo Kiat	
Ong Seh Hong	
Teo Boon Hwee	(alternate to Lim Tze Jong)
Chor How Jat	(appointed 30 January 2018)
Lee Kim Lian Juliana	(appointed 1 June 2018)

Varghese John, who served during the financial year, retired on 25 April 2018.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Direct interest		Deemed interest	
Name of director	**At beginning of the financial year**	**At end of the financial year**	**At beginning of the financial year**	**At end of the financial year**
Ordinary shares of the Company				
Lim Tze Jong	417,776,000	417,776,000	–	–
Lim Tjew Yok	2,000,000	2,000,000	–	–
Teo Boon Hwee	1,500,000	1,500,000	–	–

Lim Tze Jong, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the share capital held by the Company in its subsidiaries.

The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

OPTIONS

No options were granted during the financial year ended 31 December 2018 to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the date of this statement are:

Tan Soo Kiat	(Chairman)
Ong Seh Hong	(Member)
Chor How Jat	(Member) – appointed on 30 January 2018
Lee Kim Lian Juliana	(Member) – appointed on 1 June 2018

All members of the AC are non-executive directors. Except for Chor How Jat who is an Executive Director of a company related to a corporate shareholder of the Group, all members are independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

AUDIT COMMITTEE (CONT'D)

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Lim Tze Jong
Director

Lim Tjew Yok
Director

Singapore
4 April 2019

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Dyna-Mac Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Going concern assumption

The Group reported net profit before tax of $1,479,000 for the year ended 31 December 2018, and as at that date, total cash balance decreased by approximately $12,163,000 from 31 December 2017 mainly contributed by an outflow of cash from operating activities of $24,740,000.

The consolidated financial statements have been prepared on a going concern basis. Management's assessment of the Group's ability to generate sufficient operating cashflows on a timely basis and availability of sufficient funds for its operations are important considerations for the going concern assumption. As such, these are significant aspects of our audit and we determined this as a key audit matter.

As part of our audit, we discussed with management to obtain an understanding on the business plan, upcoming projects and financing requirements. We obtained management's cash flow forecast prepared for the purpose of the going concern assessment and evaluated the reasonableness of the key assumptions used in the forecast by checking to committed contracts, facility agreements and historical performance . We performed stress test on the key assumptions used in cashflow forecast, particularly the project margins, timing of cashflows and operating costs.

We also considered the adequacy of the disclosure in Note 2 to the financial statements on the going concern assumption.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

KEY AUDIT MATTERS (CONT'D)

Assessment of impairment for the Group's Yards

As at 31 December 2018, the carrying amount of the Group's property, plant and equipment amounted to $55,973,000, representing 35% of total assets. The majority of these assets relates to the Group's yards located in Singapore at Gul Road ("Main Yard") and Pandan Crescent ("West Yard") (collectively, the "Yards").

The challenging conditions in the global oil and gas industry has affected the Group's operating performance. In view of the aforementioned, management have performed an impairment test to assess whether an impairment charge is required for the Yards.

The impairment assessment involves significant estimation uncertainty and management judgement in the determination of the fair values of the Yards. Management have assessed the fair values of the Yards based on their estimated market values determined by external valuers. Due to the high level of judgement involved in estimating the fair value and the magnitude of the carrying amount of the Yards, we determined this as a key audit matter.

As part of the audit, we evaluated the competence, capabilities and objectivity of the external valuers engaged by management. We involved our internal valuation specialists to assist us in assessing the appropriateness of the valuation methodology used by the external valuers and reasonableness of the key assumptions used in the valuation. These key assumptions include the adjustments made by external valuers to the transacted price of comparable properties for location, size, tenure, age and condition. We have also considered the appropriateness of the estimated market values based on our understanding of the current market conditions.

We also assessed the adequacy of the disclosures related to property, plant and equipment in Note 15 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONT'D)

Revenue recognition on construction projects

The Group derives most of its revenue from construction contracts, whereby such revenue is recognised based on management's estimation of the progress of the project activities using the input method that reflects the over-time transfer of control to its customers. The measure of progress is generally determined based on the proportion of contract costs incurred to date to the estimated total costs. The determination of total contract value, progress towards completion and costs to complete these projects involved significant management judgement and estimation uncertainties, and may have an impact on the amount of construction revenue, contract assets and contract liabilities recognised during the year. As such, we determined this as a key audit matter.

As part of the audit, we obtained an understanding of the Group's costing and budgeting process, and the controls put in place to estimate project revenues, costs and profit margins. For significant projects, we traced significant actual costs incurred for construction contracts to the relevant supporting documents such as invoices and supplier statements, to ensure that the costs are directly attributable to the contracts tested. We tested the reasonableness of management's progress estimation by comparing the actual cost incurred as a percentage to the total contract costs and held discussions with senior management of the Group regarding the status of the Group's construction projects and budgeted cost to complete.

We also assessed the adequacy of the disclosures on the Group's project revenue and contract assets and liabilities in Note 4 to the financial statements.

OTHER INFORMATION

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Swee Ho.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
4 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	4	**115,314**	33,023
Cost of sales		**(92,728)**	(63,283)
Gross profit/(loss)		**22,586**	(30,260)
Other income	5	**3,057**	2,187
Other expenses	5	**(600)**	(6,036)
Administrative expenses		**(23,205)**	(24,171)
Finance costs	6	**(359)**	(321)
Profit/(loss) before tax	7	**1,479**	(58,601)
Income tax credit	9(a)	**17**	568
Net profit/(loss)		**1,496**	(58,033)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation		**(109)**	(506)
Total comprehensive income for the year		**1,387**	(58,539)
Profit/(loss) attributable to:			
Equity holders of the Company		**1,517**	(57,247)
Non-controlling interest		**(21)**	(786)
		1,496	(58,033)
Total comprehensive income attributable to:			
Equity holders of the Company		**1,431**	(57,664)
Non-controlling interest		**(44)**	(875)
		1,387	(58,539)
Profit/(loss) per share attributable to equity holders of the Company (cents per share)			
– Basic/diluted	24	**0.15**	(5.59)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 31 December 2017 $'000	Group 1 January 2017 $'000	Company 2018 $'000	Company 31 December 2017 $'000	Company 1 January 2017 $'000
ASSETS							
Current assets							
Cash and cash equivalents	10	**24,925**	37,088	69,535	**172**	361	397
Trade and other receivables	11	**31,244**	14,145	42,133	**6,493**	9,912	110,479
Inventories	12	**12,196**	2,058	3,713	**–**	–	–
Contract assets	4(c)	**22,714**	13,458	52,046	**–**	–	–
Other current assets	13	**590**	711	4,569	**11**	12	7
		91,669	67,460	171,996	**6,676**	10,285	110,883
Assets held for sale	17	**13,400**	32,124	–	**–**	–	–
		105,069	99,584	171,996	**6,676**	10,285	110,883
Non-current assets							
Club memberships		**304**	319	407	**–**	–	–
Investments in subsidiaries	14	**–**	–	–	**126,821**	126,821	31,605
Property, plant and equipment	15	**55,973**	45,019	72,146	**–**	–	–
Investment properties	16	**–**	–	13,600	**–**	–	–
		56,277	45,338	86,153	**126,821**	126,821	31,605
Total assets		**161,346**	144,922	258,149	**133,497**	137,106	142,488
LIABILITIES							
Current liabilities							
Current income tax liabilities	9(b)	**–**	314	1,300	**–**	–	–
Trade and other payables	19	**35,516**	32,543	57,355	**125**	163	144
Contract liabilities	4(c)	**329**	1,227	–	**–**	–	–
Borrowings	20	**20,025**	6,715	35,042	**–**	–	–
		55,870	40,799	93,697	**125**	163	144
Non-current liabilities							
Borrowings	20	**19**	52	96	**–**	–	–
Deferred income tax liabilities	18	**17**	18	1,153	**–**	–	–
		36	70	1,249	**–**	–	–
Total liabilities		**55,906**	40,869	94,946	**125**	163	144
Net assets		**105,440**	104,053	163,203	**133,372**	136,943	142,344

BALANCE SHEETS

AS AT 31 DECEMBER 2018

		Group			Company		
			31 December	1 January		31 December	1 January
	Note	2018	2017	2017	2018	2017	2017
		$'000	$'000	$'000	$'000	$'000	$'000
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	22	**145,271**	145,271	145,271	**145,271**	145,271	145,271
Other reserves	23	**130**	216	633	**–**	–	–
(Accumulated losses)/retained profits		**(40,651)**	(42,168)	15,079	**(11,899)**	(8,328)	(2,927)
		104,750	103,319	160,983	**133,372**	136,943	142,344
Non-controlling interests		**690**	734	2,220	**–**	–	–
Total equity		**105,440**	104,053	163,203	**133,372**	136,943	142,344

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2018 Group	Share capital $'000	(Accumulated losses)/ retained profits $'000	Other reserves $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Opening balance at 1 January 2018 (FRS framework)	**145,271**	**(42,124)**	**293**	**103,440**	**734**	**104,174**
Cumulative effects of adopting SFRS(I)	**–**	**(44)**	**(77)**	**(121)**	**–**	**(121)**
Opening balance at 1 January 2018 (SFRS(I) framework)	**145,271**	**(42,168)**	**216**	**103,319**	**734**	**104,053**
Total comprehensive income for the year	**–**	**1,517**	**(86)**	**1,431**	**(44)**	**1,387**
Closing balance at 31 December 2018	**145,271**	**(40,651)**	**130**	**104,750**	**690**	**105,440**
2017						
Opening balance at 1 January 2017 (FRS framework)	145,271	15,002	710	160,983	2,220	163,203
Cumulative effects of adopting SFRS(I)	–	77	(77)	–	–	–
Opening balance at 1 January 2017 (SFRS(I) framework)	145,271	15,079	633	160,983	2,220	163,203
Total comprehensive income for the year	–	(57,247)	(417)	(57,664)	(875)	(58,539)
Dividend declared by a subsidiary	–	–	–	–	(611)	(611)
Closing balance at 31 December 2017	145,271	(42,168)	216	103,319	734	104,053

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit/(loss) before tax		**1,479**	(58,601)
Adjustments for:			
Depreciation of property, plant and equipment	15	**9,015**	10,062
Gain on disposal of property, plant and equipment	5	**(75)**	(76)
(Reversal of impairment)/impairment of property, plant and equipment	5	**(1,213)**	1,703
Reversal of prepayment written off		**(243)**	–
Interest income	5	**(319)**	(527)
Finance costs	6	**359**	321
Amortisation of club memberships	7	**15**	109
Fair value losses/(gains) on investment properties	5	**600**	(400)
Inventory (written back)/written off		**(10,662)**	1,681
Bad debts written off	7	**–**	26
Unrealised foreign exchange gains		**(82)**	(541)
Operating cash flows before changes in working capital		**(1,126)**	(46,243)
Changes in working capital:			
Trade and other receivables		**(17,048)**	80,022
Inventories		**524**	(26)
Contract assets		**(9,256)**	(13,458)
Other current assets		**120**	3,858
Trade and other payables		**2,973**	(25,449)
Contract liabilities		**(898)**	1,227
Cash flows used in operations		**(24,711)**	(69)
Interest received		**285**	513
Income tax paid	9(b)	**(314)**	(1,553)
Net cash flows used in operating activities		**(24,740)**	(1,109)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from investing activities			
Additions to property, plant and equipment		**(454)**	(2,841)
Proceeds from disposal of property, plant and equipment		**197**	152
Additions to club memberships		**–**	(21)
Net cash flows used in investing activities		**(257)**	(2,710)
Cash flows from financing activities			
Proceeds from/(repayments of) borrowings		**13,321**	(28,329)
Repayment of finance lease liabilities		**(106)**	(42)
Interest expense paid		**(359)**	(295)
Net cash flows generated from/(used in) financing activities		**12,856**	(28,666)
Net decrease in cash and cash equivalents		**(12,141)**	(32,485)
Cash and cash equivalents			
Cash and cash equivalents at 1 January		**37,088**	69,535
Effects of currency translation on cash and cash equivalents		**(22)**	38
Cash and cash equivalents at 31 December	10	**24,925**	37,088

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Dyna-Mac Holdings Ltd. (the "Company") is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") and is incorporated and domiciled in Singapore. The registered office is at 59 Gul Road, Singapore 629354 and the principal place of business is at 45 Gul Road, Singapore 629350.

The consolidated financial statements relate to the Company and its subsidiaries (collectively, the "Group").

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 29 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$") and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

Going concern assumption

The challenging conditions in the oil and gas industry has resulted in reduced global exploration and production expenditure by oil and gas companies. Oil field exploration projects have also had their commencement delayed or been cancelled, and correspondingly the demand for the fabrication of topside modules by the Group for floating production storage offloading ("FPSO") and floating storage offloading ("FSO") vessels has also reduced.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (Cont'd)

Going concern assumption (Cont'd)

Notwithstanding these, management has prepared the financial statements on a going concern basis after considering the following:

a) Net current assets

As at 31 December 2018, the Group has net current assets of $49,199,000 (2017: $58,785,000), which includes cash and cash equivalents of $24,925,000 (2017: $37,088,000).

b) New orders secured and potential new orders

As at 31 December 2018, the Group's net order book stood at $7,000,000. Subsequent to the financial year end, the Group secured several fabrication contracts totalling approximately $150,000,000 from its long-standing customers. Completion of these fabrication contracts are scheduled to spread over 2 years.

Apart from the above project, management is also sourcing and negotiating for new contracts, both in the offshore segment of the oil and gas industry, as well as onshore works which require the Group's expertise in detailed engineering, fabrication and construction.

c) Availability of credit facilities

As at 31 December 2018, the Group has banking facilities for short-term trade loans and advances totalling $27,500,000. The Group's bank borrowing of approximately $19,993,000 (Note 20) as at 31 December 2018 relates to amounts drawn under these facilities.

Further, the Group's property, plant and equipment (including its yard facilities) are free of any encumbrance. Management believes that the Group will be able to secure further financing from financial institutions by securing its properties against such financing if required. Management is also confident that when the business environment improves and new sizeable contracts are secured by the Group, additional working capital support will be available to the Group by financial institutions.

As described in the preceding paragraphs, management is confident that the Group has adequate resources to continue in operational existence for at least another twelve months from the balance sheet date, and that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

<u>Exemptions applied on adoption of SFRS(I)</u>

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) are the same as previously reported under FRS.

- SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of $77,000 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

<u>New accounting standards effective on 1 January 2018</u>

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (Cont'd)

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The Group has quantified that there is no material impact arising from SFRS(I) 9 adoption. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no impact arising from measurement of these instruments under SFRS(I) 9.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

The Group has assessed there to be no addition impairment on trade receivables upon adoption of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (Cont'd)

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. These completed projects do not have variable considerations;
- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The majority of the Group's revenue is derived from contracts from customers for detailed engineering, fabrication and construction services, which were accounted for in accordance with FRS 11 Construction contracts. Following the adoption of SFRS(I), the Group adopted SFRS(I) 15 in place of FRS 11. The key impact of adopting SFRS(I) 15 is detailed as follows:

(i) Identifying performance obligations

The Group assessed that the usual construction contract entered by the Group will continue to be accounted for as one performance obligation, given the significant integration and interrelation of the various components of each of the Group's products and services.

(ii) Timing of revenue recognition

The Group has determined that for its contracts with customers, its performance creates an asset that the customer controls as the asset is created. Therefore, revenue is recognised over time under SFRS(I) 15.

The Group also determined that the method of measuring progress by reference to the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation (i.e. cost-on-cost method) would be more appropriate for use for revenue recognition. The Group historically recorded revenue by reference to the completion of the physical completion of the contract work.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (Cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (Cont'd)

As a result, the Group has also changed the presentation of certain amounts in the Group balance sheet to reflect the terminology used in SFRS(I) 15, as follows:

(i) Amounts due from customers on construction contracts and construction contracts work-in-progress is reclassified to be presented as part of contract assets.

(ii) Amounts due to customers on construction contracts is reclassified to be presented as contract liabilities.

Apart from the reclassification of amounts due from customers on construction contracts to be presented as part of contract assets, the Group assessed there to be no material impact to the retained earnings as at 1 January 2017.

The Group's balance sheet as at 31 December 2017 was restated, resulting in a decrease in contract assets by $32,000, a decrease in contract liabilities by $232,000 and an increase in contract related accruals by $321,000, with a corresponding adjustment to retained earnings of $121,000. The statement of profit or loss for the year ended 31 December 2017 was also restated, resulting in increases in revenue and cost of sales of $1,631,000 and $1,752,000 respectively. Gross amount due from customers on construction assets of $12,060,000 and construction contract work-in-progress of $1,430,000 were reclassified to contract assets, while gross amount due to customers on construction contracts of $2,184,000 were reclassified to contract liabilities accordingly.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group			
	1 January 2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	1 January 2017 (SFRS(I)) $'000
Assets				
Trade and other receivables	94,179	–	(52,046)	42,133
Contract assets	–	–	52,046	52,046
Others	163,970	–	–	163,970
Total assets	**258,149**	**–**	**–**	**258,149**
Total liabilities	**94,946**	**–**	**–**	**94,946**
Equity				
Other reserves	710	(77)	–	633
Retained profits	15,002	77	–	15,079
Others	147,491	–	–	147,491
Total equity	**163,203**	**–**	**–**	**163,203**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (Cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 to the balance sheet of the Group.

	Group			
	31 December 2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	31 December 2017 (SFRS(I)) $'000
Assets				
Trade and other receivables	26,205	–	(12,060)	14,145
Contract assets	–	–	13,458	13,458
Construction contracts work-in-progress	1,430	–	(1,430)	–
Others	117,319	–	–	117,319
Total assets	**144,954**	**–**	**(32)**	**144,922**
Liabilities				
Trade and other payables	33,681	–	(1,138)	32,543
Contract liabilities	–	–	1,227	1,227
Others	7,099	–	–	7,099
Total liabilities	**40,780**	**–**	**89**	**40,869**
Equity				
Other reserves	293	(77)	–	216
Accumulated losses	(42,124)	77	(121)	(42,168)
Others	146,005	–	–	146,005
Total equity	**104,174**	**–**	**(121)**	**104,053**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (Cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards to the Group's comprehensive income for the year ended 31 December 2017.

	Group		
	2017 (FRS) $'000	SFRS(I) 15 adjustments $'000	2017 (SFRS(I)) $'000
Revenue	31,392	1,631	33,023
Cost of sales	(61,531)	(1,752)	(63,283)
Gross loss	(30,139)	(121)	(30,260)
Others	(28,341)	–	(28,341)
Loss before tax	(58,480)	(121)	(58,601)
Income tax credit	568	–	568
Net loss	**(57,912)**	**(121)**	**(58,033)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation	(506)	–	(506)
Total comprehensive income for the year	**(58,418)**	**(121)**	**(58,539)**
Loss attributable to:			
Equity holders of the Company	(57,126)	(121)	(57,247)
Non-controlling interest	(786)	–	(786)
	(57,912)	**(121)**	**(58,033)**
Total comprehensive income attributable to:			
Equity holders of the Company	(57,543)	(121)	(57,664)
Non-controlling interest	(875)	–	(875)
	(58,418)	**(121)**	**(58,539)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standard issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s *2015-2017 Cycle*	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) issued but not yet effective in 2018 – SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standard issued but not yet effective (Cont'd)

SFRS(I) issued but not yet effective in 2018 – SFRS(I) 16 Leases (Cont'd)

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, viable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Group accounting (Cont'd)

(a) Subsidiaries (Cont'd)

(i) Consolidation (Cont'd)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree, over (ii) the fair value of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Group accounting (Cont'd)

(a) Subsidiaries (Cont'd)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 Property, plant and equipment

(a) Measurement

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, plant and equipment (Cont'd)

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings	16 – 42 years
Furniture and fittings and office equipment	5 years
Computers	3 years
Site building and yard improvement	5 – 22 years
Site equipment and tools	5 years
Motor vehicles	5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Investment properties

Investment properties are properties that are either owned or leased by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods and services, or for administrative purposes, or in the ordinary course of business. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gain or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.8 Intangible assets

Club memberships

Club memberships are measured initially at cost. Following initial recognition, club memberships are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of club memberships are assessed to be between 27 to 31 years and are reviewed annually to determine whether the useful life assessment continues to be supportable.

Gains or losses arising from de-recognition of club memberships are measured as the difference between the net disposal proceeds and the carrying amount of the club membership and are recognised in profit or loss.

2.9 Investments in subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

An impairment loss for an asset (other than goodwill) is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Subsequent measurement

Debt instruments measured at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial instruments (Cont'd)

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk. The Group considers a financial asset in default on a case-by-case basis assessment which includes the counterparty going into bankruptcy or a request for a discounted repayment scheme is received due to financial difficulties. Additionally, the Group considers forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Inventories

Inventories comprise materials and supplies to be consumed in the rendering of construction services. Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of materials and supplies comprises raw materials and other direct costs directly attributable to the acquisition of finished goods and materials but excludes borrowings costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.15 Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method in the period that they occur except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

2.17 Employee benefits

Employee benefits are recognised as an expense as incurred, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Leases

(a) As lessee:

The Group leases certain property, plant and equipment under finance leases and operating leases from non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(b) As lessor:

The Group leases certain property, plant and equipment under operating leases to non-related parties.

Lessor – Operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment once classified as held for sale are not depreciated. Investment properties classified as held for sale are measured based on their fair value.

2.20 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating revenue within the Group.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Revenue from construction contracts

Revenue from construction contracts is recognised over time as the Group satisfies its performance obligation. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction contract.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

The Group accounts for contract modifications arising from change orders to modify the scope or price of the contract as separate contracts if the modification adds distinct goods or services at their standalone selling prices. For contract modifications that add distinct goods or services but not at their standalone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and is recognised as a cumulative adjustment to revenue at the date of modification.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue (Cont'd)

(b) Rental income

Rental income arising from operating leases (net of any incentive given to the lessees) is accounted for on a straight-line basis over the lease term.

2.21 Taxes

(a) Current income tax

Current income tax liabilities for current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Taxes (Cont'd)

(b) **Deferred tax** (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of the revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of property, plant and equipment

The Group's property, plant and equipment are assessed for impairment whenever events or changes in circumstances indicate that their carrying value exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use.

The majority of the Group's property, plant and equipment relates to the Group's yards located in Singapore at Gul Road (the "Main Yard") and Pandan Crescent (the "West Yard") (collectively, the "Yards"). For purposes of the impairment assessment on the Yards, the fair value less cost of disposal was determined based on the estimated market values assessed by independent qualified external valuers. The determination of the fair value of the yards involves the use of subjective judgments and assumptions that are inherently uncertain.

The carrying amount of the Group's property, plant and equipment is disclosed in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Valuation of investment properties

The Group carries its investment properties at fair value, with the changes in fair values being recognised in profit or loss. The Group had engaged an independent qualified external valuer to assess the fair value of the Group's investment properties that were classified as assets held for sale at the end of the financial year. The estimated fair value may differ from the price at which the Group's investment properties could be sold at a particular time, since actual selling price is negotiated between willing buyers and sellers.

The key assumptions used to determine the fair value of these investment properties as at the end of the financial year are disclosed in Note 17 to the financial statements.

4. REVENUE

(a) Disaggregation of revenue

	Group			
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
	Module business		*Ad-hoc projects*	
Primary geographical markets				
Asia Pacific	**29,575**	26,370	**586**	1,098
Europe	**85,149**	5,515	**4**	40
	114,724	31,885	**590**	1,138
Timing of transfer of goods or service				
At a point in time	**–**	–	**590**	1,138
Over time	**114,724**	31,885	**–**	–
	114,724	31,885	**590**	1,138

(b) Judgement and methods used in estimating revenue

Recognition of revenue from construction contracts over time

The Group satisfies its construction contracts performance obligations over time. Management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the construction projects as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar construction contracts, analysed by different module types and geographical areas for the past 3 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. REVENUE (CONT'D)

(c) Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Receivables from construction contracts with customers (Note 11)	**18,742**	11,758	39,874
Contract assets	**22,714**	13,458	52,046
Contract liabilities	**329**	1,227	–

There are no impairment losses on receivables arising from contracts with customers.

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for construction contracts. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for construction contracts.

Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract assets and contract liabilities are explained as follows:

	Group	
	2018 $'000	2017 $'000
Contract asset reclassified to receivables	**13,458**	52,046
Revenue recognised that was included in the contract liability balance at the beginning of the year	**1,227**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. REVENUE (CONT'D)

(d) Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 is $1,228,000. This amount has not included the following:

- Performance obligations for which the Group has applied the practical expedient not to disclose information about its remaining performance obligations if:
  - The performance obligation is part of a contract that has an original expected duration for one year or less, or
  - The Group recognises revenue in the amount to which the Group has a right to invoice customers in amounts that correspond directly with the value to the customer of the Group's performance completed to date.
- Variable consideration that is constrained and therefore is not included in the transaction price.

The Group expects to recognise $1,228,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 in financial year 2019.

5. OTHER INCOME AND EXPENSES

	Group	
	2018 $'000	2017 $'000
Other income		
Interest income – bank deposits	**319**	527
Rental income – warehouse, office and container	**431**	64
Government grants	**132**	192
Gain on disposal of property, plant and equipment	**75**	76
Fair value gains on investment properties	**–**	400
Sale of scrap metals	**249**	908
Foreign exchange gains, net	**504**	–
Reversal of impairment of property, plant and equipment	**1,213**	–
Others	**134**	20
	3,057	2,187
Other expenses		
Fair value losses on investment properties	**(600)**	–
Property, plant and equipment written off (Note 15)	**–**	(1,703)
Inventory written off	**–**	(1,681)
Foreign exchange losses, net	**–**	(2,652)
	(600)	(6,036)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. FINANCE COSTS

	Group	
	2018 $'000	2017 $'000
Interest expense on:		
– Bank borrowings and unsecured unquoted fixed rate notes	**343**	316
– Finance lease liabilities	**16**	5
	359	321

7. PROFIT/LOSS BEFORE TAX

Profit/loss before tax is determined after charging the following:

	Group	
	2018 $'000	2017 $'000
Expenses by nature		
Sub-contractor charges	**32,258**	22,570
Materials	**24,071**	7,222
Direct overheads	**32,263**	27,961
Rental of sites	**4,136**	5,531
Employee compensation (Note 8)	**15,367**	14,704
Depreciation of property, plant and equipment	**2,208**	2,468
Amortisation of club memberships	**15**	109
Transportation and travelling	**913**	976
Legal and professional fees	**604**	929
Entertainment and refreshment	**83**	134
Property tax	**925**	1,026
Insurance	**644**	466
Advertising and marketing expenses	**275**	643
Bad debts written off	**–**	26
Other expenses	**2,171**	2,689
Total cost of sales and administrative expenses	**115,933**	87,454

Included in the direct overheads is depreciation of property, plant and equipment directly used in the projects amounting to $6,807,000 (2017: $7,594,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. EMPLOYEE COMPENSATION

	Group	
	2018	2017
	$'000	$'000
Wages and salaries	**12,767**	12,350
Employer's contribution to defined contribution plans	**1,345**	1,041
Other short-term benefits	**1,255**	1,313
	15,367	14,704

9. INCOME TAXES

(a) Income tax credit

	Group	
	2018	2017
	$'000	$'000
Tax credit for the current year:		
– Current income tax	**16**	–
– Deferred income tax (Note 18)	**1**	1,135
	17	1,135
Underprovision in prior financial years:		
– Current income tax	**–**	(567)
	17	568

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018	2017
	$'000	$'000
Profit/(loss) before income tax	**1,479**	(58,601)
Tax calculated at rate of 17% (2017: 17%)	**251**	(9,962)
Effects of:		
Different tax rates in other countries	**258**	(117)
Expenses not deductible for tax purposes	**1,025**	864
Income not subject to tax	**(260)**	–
Tax incentives	**–**	(16)
Benefits from previously unrecognised tax losses	**(1,783)**	–
Underprovision in prior financial years	**–**	567
Deferred tax benefits not recognised	**492**	8,096
Tax credit	**(17)**	(568)

Tax incentives relate to enhanced deductions for approved expenditures and claims for approved donations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INCOME TAXES (CONT'D)

(b) Movements in current income tax liabilities

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**314**	1,300
Currency translation difference	*	*
Income tax paid	**(314)**	(1,553)
Underprovision in prior financial years	**–**	567
Tax expense	**–**	–
End of financial year	**–**	314

* Less than $1,000.

10. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at bank and on hand	**4,727**	12,220	5,887	**172**	361	397
Short-term bank deposits	**20,198**	24,868	63,648	**–**	–	–
	24,925	37,088	69,535	**172**	361	397

The Group is required to maintain certain minimum deposits with banks for banking facilities. Included in cash and cash equivalents are short-term bank deposits of $13,000,000 (31 December 2017 and 1 January 2017: $24,000,000) designated by the Group for this purpose.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables						
– Non-related parties	**18,742**	11,758	39,874	**–**	–	–
– Related parties	**449**	617	1,147	**–**	–	–
	19,191	12,375	41,021	**–**	–	–
Less: Allowance for doubtful debts	**–**	–	(2,255)	**–**	–	–
Trade receivables – net	**19,191**	12,375	38,766	**–**	–	–
Advances to subsidiaries	**–**	–	–	**6,493**	9,912	110,479
GST receivables	**11,775**	1,521	2,992	**–**	–	–
Staff loans	**87**	89	126	**–**	–	–
Other receivables						
– Non-related parties	**183**	146	249	**–**	–	–
– Related parties	**8**	14	–	**–**	–	–
	31,244	14,145	42,133	**6,493**	9,912	110,479

Trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Related parties refer to companies controlled by a corporate shareholder.

The advances to subsidiaries are unsecured, interest-free and repayable on demand.

During the year, there are no uncollectible trade receivables (2017: $2,255,000) were written off against the allowance for doubtful debts.

12. INVENTORIES

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Steel and consumables	**12,196**	2,058	3,713

The cost of inventories recognised as an expense and included in "Cost of sales" amounts to $1,149,000 (2017: $250,000).

During the year, the Group wrote back unutilised inventory from completed projects amounting to $10,662,000 upon finalisation of account with customers. This is recorded in "Cost of sales" in the income statement or "Material cost" (Note 7).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. OTHER CURRENT ASSETS

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	**496**	580	4,149	**–**	–	–
Prepayments	**94**	131	420	**11**	12	7
	590	711	4,569	**11**	12	7

14. INVESTMENTS IN SUBSIDIARIES

	Company		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Shares, at cost	**31,605**	31,605	31,605
Capital contribution from waiver of amounts due from a subsidiary	**100,000**	100,000	–
Impairment losses	**(4,784)**	(4,784)	–
	126,821	126,821	31,605

Details of the Group's subsidiaries are included in Note 29.

Waiver of amounts due from a subsidiary

During the year ended 31 December 2017, the Company waived an amount of $100,000,000 that was due from a subsidiary. The amount waived was regarded as capital contributed to the subsidiary and capitalised as part of the Company's investment in that subsidiary.

Impairment of investments in subsidiaries

The Company did not recognise any impairment losses in respect of the investments in certain subsidiaries following a review of their recoverable amounts (2017: $4,784,000). The recoverable amounts for these subsidiaries were determined based on their fair value less cost to sell. The fair value less cost to sell is determined by reference to the estimated net realisable values of the net assets of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings $'000	Furniture and fittings and office equipment $'000	Computers $'000	Site building and yard improvement $'000	Site equipment and tools $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000
Group								
2018								
Cost								
Beginning of financial year	15,244	6,007	6,199	69,555	31,170	2,316	2,012	132,503
Currency translation differences	–	(5)	(3)	34	(34)	–	–	(8)
Additions	–	8	67	–	302	376	77	830
Disposals	–	–	(24)	–	(17)	(716)	–	(757)
(Written off)/written back	–	–	–	(14,990)	(981)	–	1,456	(14,515)
Transfer	–	–	(3)	–	2,013	–	(2,010)	–
Reclassification from assets held for sale (Note 17)	–	112	1	26,191	913	–	–	27,217
End of financial year	15,244	6,122	6,237	80,790	33,366	1,976	1,535	145,270
Accumulated depreciation								
Beginning of financial year	5,519	4,237	5,445	31,762	27,767	1,828	–	76,558
Currency translation differences	–	(1)	(4)	7	(34)	–	–	(32)
Charge for the financial year	987	352	743	5,635	1,070	228	–	9,015
Disposals	–	–	(24)	–	(15)	(210)	–	(249)
Written off	–	–	–	(4,036)	(1,052)	–	–	(5,088)
Transfer	–	–	(3)	–	3	–	–	–
Reclassification from assets held for sale (Note 17)	–	107	1	8,071	914	–	–	9,093
End of financial year	6,506	4,695	6,158	41,439	28,653	1,846	–	89,297
Accumulated impairment losses								
Beginning of financial year	–	–	–	10,926	–	–	–	10,926
Currency translation differences	–	–	–	25	–	–	–	25
Written off	–	–	–	(10,951)	–	–	–	(10,951)
At 31 December 2018	–	–	–	–	–	–	–	–
Net book value								
End of financial year	8,738	1,427	79	39,351	4,713	130	1,535	55,973

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Buildings $'000	Furniture and fittings and office equipment $'000	Computers $'000	Site building and yard improvement $'000	Site equipment and tools $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000
Group								
2017								
Cost								
Beginning of financial year	15,244	6,113	6,436	94,939	33,744	2,475	1,214	160,165
Currency translation differences	–	3	(1)	280	(19)	–	–	263
Additions	–	252	–	718	39	–	1,832	2,841
Disposals	–	(59)	(15)	(191)	(680)	(159)	–	(1,104)
Written off	–	(190)	(220)	–	(822)	–	(1,213)	(2,445)
Transfer	–	–	–	–	(179)	–	179	–
Reclassification to assets held for sale (Note 17)	–	(112)	(1)	(26,191)	(913)	–	–	(27,217)
End of financial year	15,244	6,007	6,199	69,555	31,170	2,316	2,012	132,503
Accumulated depreciation								
Beginning of financial year	4,532	4,096	4,785	34,232	27,936	1,721	–	77,302
Currency translation differences	–	3	(1)	70	(15)	–	–	57
Charge for the financial year	987	434	878	5,699	1,797	267	–	10,062
Disposals	–	(57)	(15)	(168)	(628)	(160)	–	(1,028)
Written off	–	(132)	(201)	–	(409)	–	–	(742)
Reclassification to assets held for sale (Note 17)	–	(107)	(1)	(8,071)	(914)	–	–	(9,093)
End of financial year	5,519	4,237	5,445	31,762	27,767	1,828	–	76,558
Accumulated impairment losses								
Beginning of financial year	–	–	–	10,717	–	–	–	10,717
Currency translation differences	–	–	–	209	–	–	–	209
At 31 December 2017	–	–	–	10,926	–	–	–	10,926
Net book value								
End of financial year	9,725	1,770	754	26,867	3,403	488	2,012	45,019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets under finance leases

During the financial year, the Group acquired a motor vehicle for $376,000 by means of a finance lease. The cash outflow on acquisition of property, plant and equipment amounted to $454,000 (2017: $2,841,000).

The carrying amounts of motor vehicles held under finance leases are $26,000 (31 December 2017: $76,000, 1 January 2017: $126,000) at the balance sheet date.

Reclassification from assets held for sale

Included within depreciation charges for 2018 is the catch up of thirteen-month depreciation for the West Yard reclassified from the held for sale to property, plant and equipment.

Impairment assessment

The carrying value of the Group's property, plant and equipment as at 31 December 2018 mainly relate to the Group's yards located in Singapore at Gul Road (the "Main Yard") and Pandan Crescent ("West Yard") (collectively, the "Yards"). During the year, the Group carried out an impairment test to assess whether an impairment charge is required for the Yards. As the recoverable amounts of the Yards is higher than its carrying value, no impairment charges were required. The recoverable amounts were assessed based on the estimated market values determined by an independent qualified external valuer, less the estimated cost of disposal.

16. INVESTMENT PROPERTIES

		Group	
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Beginning of financial year	–	13,600	13,600
Reclassified as assets held for sale (Note 17)	–	(13,600)	–
End of financial year	–	–	13,600

These investment properties relate to two leasehold industrial buildings held by the Group. The Group has no restrictions on the realisability of these investment properties and have no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance or enhancements. The direct operating expenses incurred on these investment properties were not significant.

In 2017, the Group reclassified the properties to present them as assets held for sale on the Group's balance sheet, following a decision to dispose of these properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INVESTMENT PROPERTIES (CONT'D)

Valuation of investment properties

Investment properties are stated at their fair value. The fair value of the investment properties as at 1 January 2017 were determined as follows:

Description	Fair value	Valuation technique	Unobservable input	Range of unobservable inputs
Industrial buildings	$13,600,000	Market comparable approach	Adjusted price per square feet	$223 – $298

Under the market comparable approach, sale prices of similar properties in comparable vicinities are adjusted for differences in key attributes such as location, size, tenure, age and condition. As the use of significant unobservable inputs is required, the measurement is categorised under level 3 of the fair value hierarchy (Note 26(e)).

Significant reductions in the price per square feet in isolation would result in a significantly lower fair value of the properties.

Valuation process of the Group

The Group has engaged an independent qualified external valuer to determine the fair value of the Group's investment properties. The fair value of investment properties as at 1 January 2017 were determined by Savills Valuation and Professional Services (S) Pte Ltd.

17. ASSETS HELD FOR SALE

During the financial year ended 31 December 2017, the Group reclassified certain assets to present them as assets held for sale following a decision to dispose of these assets.

The Group reclassified its West Yard back to property, plant and equipment during the financial year ended 31 December 2018 as the purchase was not completed by the buyer. The Group's investment properties remain classified as investment properties held for sale as management's original intention to sell remains.

The carrying value of assets classified as held for sale at the end of the financial year are as follows:

Property	Previously presented as:	Note	Group 31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
West Yard	Property, plant and equipment	(a)	**–**	18,124	–
Industrial Buildings at 37 & 39 Tech Park Crescent, Singapore	Investment properties	(b)	**13,400**	14,000	–
			13,400	32,124	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. ASSETS HELD FOR SALE (CONT'D)

(a) West Yard

	Group		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
At 1 January	**18,124**	–	–
Transferred from property, plant and equipment during the year	**–**	18,124	–
Transferred to property, plant and equipment during the year	**(18,124)**	–	–
At 31 December	**–**	18,124	–

During the year, the Group carried out an impairment test to assess whether an impairment charge is required for the West Yard. As the recoverable amounts of the West Yard was higher than its carrying value, no impairment charges were required. The recoverable amounts were determined based on the estimated market values assessed by an independent qualified external valuer, less estimated cost of disposal.

(b) Industrial Buildings at 37 & 39 Tech Park Crescent, at fair value

	Group		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
At 1 January	**14,000**	–	–
Transferred from investment properties during the year	**–**	13,600	–
Fair value (losses)/gains	**(600)**	400	–
At 31 December	**13,400**	14,000	–

The fair value of the investment properties classified as held for sale as at 31 December 2018 were determined as follows:

Description	Fair value	Valuation technique	Unobservable input	Range of unobservable inputs
Industrial buildings	$13,400,000 (2017: $14,000,000)	Market comparable approach	Adjusted price per square feet	$279 – $335 (2017: $279 – $335)

Under the market comparable approach, sale prices of similar properties in comparable vicinities are adjusted for differences in key attributes such as location, size, tenure, age and condition. As the use of significant unobservable inputs is required, the measurement is categorised under level 3 of the fair value hierarchy (Note 26(e)). There were no transfers into or out of level 3 of the fair value hierarchy during the year.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. ASSETS HELD FOR SALE (CONT'D)

(b) Industrial Buildings at 37 & 39 Tech Park Crescent, at fair value (Cont'd)

Significant reductions in the price per square feet in isolation would result in a significantly lower fair value of the properties.

Valuation process of the Group

The Group has engaged an independent qualified external valuer to determine the fair value of the Group's investment properties classified as held for sale. The fair value of these investment properties as at 31 December 2018 and 31 December 2017 were determined by Robert Khan & Co. Pte. Ltd.

18. DEFERRED INCOME TAXES

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately $32,775,000 (2017: $43,268,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain requirements by the relevant tax authorities. No deferred tax is recognised on these amounts due to the uncertainty of its recoverability. The tax losses have no expiry date.

The movement in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

	Group		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Deferred income tax liabilities			
Differences in depreciation for tax purposes			
Beginning of financial year	**18**	1,153	1,408
Tax credited to profit or loss (Note 9(a))	**–**	(1,135)	(255)
Currency translation differences	**(1)**	–	–
End of financial year	**17**	18	1,153

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	**31,499**	27,902	52,576	**46**	84	–
Amount due to a director	**–**	–	244	**–**	–	–
Amount due to a related party	**600**	1,537	–	**–**	–	–
Accrued operating expenses	**1,136**	1,197	3,932	**79**	79	143
Other payables	**2,281**	1,907	603	**–**	–	1
	35,516	32,543	57,355	**125**	163	144

Trade payables are non-interest bearing and are normally settled on 30 days terms.

Amount due to a director and a related party is unsecured, interest-free and repayable on demand.

20. BORROWINGS

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Current			
Bank borrowings	**19,993**	6,671	35,000
Finance lease liabilities (Note 21)	**32**	44	42
	20,025	6,715	35,042
Non-current			
Finance lease liabilities (Note 21)	**19**	52	96
	19	52	96
Total borrowings	**20,044**	6,767	35,138

The exposure of bank borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
3 months or less	**19,993**	6,671	35,000

Bank borrowings are secured by deeds of guarantee and indemnity from the Company. The weighted average effective interest rate on bank borrowings at balance sheet date is 3.07% (31 December 2017: 2.29%, 1 January 2017: 2.27%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. FINANCE LEASE LIABILITIES

The Group leases motor vehicles from non-related parties under finance leases. Lease terms range from 1 to 3 years (2017: 1 to 4 years) with options to purchase at the end of the lease term.

The liabilities are secured on the property, plant and equipment acquired under finance lease contracts (Note 15).

		Group	
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Minimum lease payments due			
– Not later than one year	**34**	48	48
– Between one and five years	**19**	53	101
	53	101	149
Less: Future finance charges	**(2)**	(5)	(11)
Present value of finance lease liabilities	**51**	96	138

The present values of finance lease liabilities are analysed as follows:

– Not later than one year (Note 20)	**32**	44	42
– Between one and five years (Note 20)	**19**	52	96
	51	96	138

22. SHARE CAPITAL

	No. of ordinary shares $'000	Amount $'000
Group and Company		
2018		
Beginning and end of financial year	**1,023,211**	**145,271**
2017		
Beginning and end of financial year	1,023,211	145,271

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. OTHER RESERVES

	Group		
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
(a) Composition:			
Foreign currency translation reserve	**(503)**	(417)	–
Asset revaluation reserve	**633**	633	633
	130	216	633
(b) Movements:			
(i) Cash flow hedge reserve			
Beginning of financial year	**–**	–	(624)
Reclassification to profit or loss			
– Other gains and losses	**–**	–	624
End of financial year	**–**	–	–
(ii) Foreign currency translation reserve			
Beginning of financial year	**(417)**	–	100
Transaction with owners, recognised directly in equity	**–**	–	200
Net currency translation differences of financial statements of foreign subsidiaries	**(109)**	(506)	(293)
Non-controlling interests	**23**	89	70
	(86)	(417)	(23)
Adoption of SFRS(I)1	**–**	–	(77)
End of financial year	**(503)**	(417)	–
(iii) Asset revaluation reserve			
Beginning and end of the financial year	**633**	633	633

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share are calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018 $'000	2017 $'000
Net profit/(loss) attributable to equity holders of the Company	**1,517**	(57,247)
Weighted average number of ordinary shares outstanding ('000)	**1,023,211**	1,023,211
Basic/diluted earnings/(loss) per share (cents per share)	**0.15**	(5.59)

The Company does not have any potential ordinary shares.

25. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at balance sheet date but not recognised in the financial statements are as follows:

	Group		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Property, plant and equipment	**–**	1,445	187

(b) Operating lease commitments – where Group is a lessee

The Group leases office equipment and yard facilities from non-related parties under non-cancellable operating agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are analysed as follows:

	Group		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Not later than one year	**4,035**	3,940	8,133
Between one and five years	**12,405**	13,397	17,102
Later than five years	**24,383**	29,305	31,064
	40,823	46,642	56,299

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. COMMITMENTS (CONT'D)

(c) Operating lease commitments – where the Group is a lessor

The Group leases a site building to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

		Group	
	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000
Not later than one year	**2**	6	12

(d) Corporate guarantees

The Company has provided corporate guarantees to customers of a subsidiary in relation to the construction contracts undertaken by that subsidiary.

26. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forwards and interest rate swaps to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The senior management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operations in Singapore. Entities in the Group regularly transact in currencies other than the Singapore Dollar ("SGD"), which is the functional currency of most of the companies in the Group.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies. The Group manages the foreign exchange exposure by keeping cash balances in different currencies and maintaining a policy of matching as far as possible, receipts and payments in each currency.

In addition, the Group's risk management policy is to hedge at least 80% of the foreign currency exposure for significant revenue contracts by entering into currency forward contracts. No hedges were taken during the financial year ended 31 December 2018.

Fair value changes of currency forward contracts are recognised in profit or loss at each reporting date, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	RM $'000	PHP $'000	Others $'000	Total $'000
31 December 2018						
Financial assets						
Cash and cash equivalents	23,484	295	60	34	1,052	24,925
Trade and other receivables	10,947	8,427	91	–	4	19,469
Deposits	493	–	3	–	–	496
Total undiscounted financial assets	34,924	8,722	154	34	1,056	44,890
Financial liabilities						
Trade and other payables	33,627	390	482	571	446	35,516
Bank borrowings	19,993	–	–	–	–	19,993
Finance lease liabilities	51	–	–	–	–	51
Total undiscounted financial liabilities	53,671	390	482	571	446	55,560
Net financial (liabilities)/assets and currency profile of financial instruments	(18,747)	8,332	(328)	(537)	610	(10,670)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(i) *Currency risk* (Cont'd)

	SGD $'000	USD $'000	RM $'000	PHP $'000	Others $'000	Total $'000
31 December 2017						
Financial assets						
Cash and cash equivalents	29,089	6,294	477	38	1,190	37,088
Trade and other receivables	11,826	438	350	6	4	12,624
Deposits	342	–	220	18	–	580
Total undiscounted financial assets	41,257	6,732	1,047	62	1,194	50,292
Financial liabilities						
Trade and other payables	28,277	132	2,099	576	1,459	32,543
Bank borrowings	6,671	–	–	–	–	6,671
Finance lease liabilities	96	–	–	–	–	96
Total undiscounted financial liabilities	35,044	132	2,099	576	1,459	39,310
Net financial assets/(liabilities) and currency profile of financial instruments	6,213	6,600	(1,052)	(514)	(265)	10,982

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(i) *Currency risk* (Cont'd)

	SGD $'000	USD $'000	RM $'000	PHP $'000	Others $'000	Total $'000
1 January 2017						
Financial assets						
Cash and cash equivalents	26,138	41,844	133	63	1,357	69,535
Trade and other receivables	11,949	23,076	–	137	3,979	39,141
Deposits	3,881	–	–	20	248	4,149
Total undiscounted financial assets	41,968	64,920	133	220	5,584	112,825
Financial liabilities						
Trade and other payables	52,732	53	54	102	4,414	57,355
Bank borrowings	35,000	–	–	–	–	35,000
Finance lease liabilities	138	–	–	–	–	138
Total undiscounted financial liabilities	87,870	53	54	102	4,414	92,493
Net financial (liabilities)/assets and currency profile of financial instruments	(45,902)	64,867	79	118	1,170	20,332

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(i) *Currency risk* (Cont'd)

If the USD changes against the SGD by 5% (2017: 5%) with all other variables including tax rate being held constant, the effects to the Group's profit (2017: loss) after tax arising from the net financial liability/asset position at balance sheet date will be as follows:

	Increase/(Decrease)			
	2018		2017	
	Profit after tax $'000	Other comprehensive income $'000	Loss after tax $'000	Other comprehensive income $'000
Group				
USD against SGD				
– Strengthened	**340**	–	(402)	–
– Weakened	**(340)**	–	402	–

The Company is not exposed to significant currency risk as it transacts mainly in SGD, which is the functional currency of the Company.

(ii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If SGD interest rates were higher/lower by 0.5% (2017: 0.5%) during the year with all other variables including tax rate being held constant, the profit (2017: loss) after tax would have been lower/higher (2017: higher/lower) by $100,000 (2017: $33,000) as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

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26. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, and contract assets. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group determines the default event on a financial asset on a case-by-case basis assessment which includes the counterparty going into bankruptcy or a request for a discounted repayment scheme is received due to financial difficulties.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

For the year ended 31 December 2018, no loss allowance provisions are recorded.

NOTES TO THE FINANCIAL STATEMENTS

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26. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels. The Group does not apply hedge accounting.

Exposure to credit risk

The credit risk for trade receivables based on the information provided to senior management is as follows:

	Group		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
By types of customers			
Related parties	**449**	617	1,147
Non-related parties –			
Multi-national companies	**18,742**	11,758	39,874
	19,191	12,375	41,021

The trade receivables of the Group comprise 4 debtors (31 December 2017: 6 debtors, 1 January 2017: 6 debtors) that represented 91% (31 December 2017: 64%, 1 January 2017: 61%) of trade receivables.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially due from companies with a good collection track record with the Group. The Group has no trade receivables past due or impaired that were re-negotiated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables and advance to subsidiaries (Note 11).

The age analysis of trade receivables past due but not impaired is as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	$'000	**$'000**	**$'000**
Past due up to 3 months	**6,094**	4,541	17,592
Past due 3 to 6 months	**–**	1,049	7,041
Past due over 6 months	**8,691**	3,306	6,650
	14,785	8,896	31,283

(c) Liquidity risk

The Group and the Company manages its liquidity risk by maintaining sufficient cash and bank balances to enable them to meet their normal operating commitments.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (Cont'd)

	Less than 1 year $'000	Between 1 and 5 years $'000
Group		
31 December 2018		
Trade and other payables	**35,516**	**–**
Bank borrowings	**20,079**	**–**
Finance lease liabilities	**32**	**19**
	55,627	**19**
31 December 2017		
Trade and other payables	32,543	–
Bank borrowings	6,671	–
Finance lease liabilities	44	52
	39,258	52
1 January 2017		
Trade and other payables	57,355	–
Bank borrowings	35,000	–
Finance lease liabilities	42	96
	92,397	96
Company		
31 December 2018		
Trade and other payables	**125**	**–**
31 December 2017		
Trade and other payables	163	–
1 January 2017		
Trade and other payables	144	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on gearing ratio. The gearing ratio is calculated as total debt divided by total capital. Total debt refers to total borrowings, while total capital is calculated as total equity plus total debt.

The Group's strategy, which remains unchanged during the financial years ended 31 December 2018 and 2017, is to maintain a gearing ratio of not exceeding 50%.

The Group and the Company are in compliance with all externally imposed capital requirements as at 31 December 2018.

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Total debt	**20,044**	6,767	35,138	**–**	–	–
Total equity	**105,440**	104,053	163,203	**133,372**	136,943	142,344
Total capital	**125,484**	110,820	198,341	**133,372**	136,943	142,344
Gearing ratio	**16%**	6%	18%	**–**	–	–

(e) Fair value measurements

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

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26. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Fair value measurements (Cont'd)

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Company does not have any financial assets or financial liabilities that are measured at fair values during or at the end of the financial year.

The disclosures relating to investment properties that are measured at fair value can be found in Notes 16 and 17.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as follows:

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	$'000	$'000	$'000	$'000	$'000	$'000
Total undiscounted financial assets	**44,890**	50,292	112,825	**6,665**	10,273	110,876
Total undiscounted financial liabilities	**55,560**	39,310	92,493	**125**	163	144

27. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

Other than those disclosed elsewhere in the financial statements, the Group had the following significant related party transactions on terms agreed during the financial year:

	Group	
	2018	2017
	$'000	$'000
Sub-contracting services provided by related parties	**–**	(1,809)
Consulting fees provided by related parties and rental income received from related parties	**–**	(19)
Marketing expenses paid to a related party	**–**	(540)
Fabrication of topside modules and other ad-hoc services provided to related parties	**509**	1,454
Corporate secretarial services provided by related parties	**(29)**	–

NOTES TO THE FINANCIAL STATEMENTS

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27. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Sales and purchases of goods and services (Cont'd)

Related parties are companies owned by close family members of the Group's key management personnel or are subsidiaries of a shareholder of the Company.

Outstanding balances as at the end of the financial year, arising from transactions with other related parties, are unsecured and recoverable/payable within 12 months from balance sheet date and are disclosed in Notes 11 and 19 respectively.

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	2018	2017
	$'000	$'000
Directors		
Wages and salaries	**2,350**	2,177
Employer's contribution to defined contribution plans, including Central Provident Fund	**40**	43
Other benefits	**58**	52
	2,448	2,272
Senior Management		
Wages and salaries	**1,045**	1,315
Employer's contribution to defined contribution plans, including Central Provident Fund	**56**	61
	1,101	1,376
	3,549	3,648

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from a business segment perspective. Management manages and monitors the business in the two primary business segments: Module business and Ad-hoc projects.

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Module Business $'000	Ad-hoc projects $'000	Total $'000
2018			
Revenue			
Segment revenue to external parties	**114,724**	**590**	**115,314**
Segment gross profit	**21,923**	**663**	**22,586**
2017			
Revenue			
Segment revenue to external parties	31,885	1,138	33,023
Segment gross loss	(30,273)	13	(30,260)

(a) Reconciliations

A reconciliation of segment gross profit/(loss) to net profit/(loss) is as follows:

	Group 2018 $'000	Group 2017 $'000
Segment gross profit/(loss) for reportable segments	**22,586**	(30,260)
Other income	**3,057**	2,187
Other expense	**(600)**	(6,036)
Administrative expenses	**(23,205)**	(24,171)
Finance expenses	**(359)**	(321)
Profit/(loss) before tax	**1,479**	(58,601)
Income tax credit	**17**	568
Net profit/(loss)	**1,496**	(58,033)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. SEGMENT INFORMATION (CONT'D)

(b) Geographical information

The Group's revenue, based on the customers' location, are mainly in Asia Pacific (Singapore, Malaysia and Australia) and Europe (Monaco, Switzerland and United Kingdom).

	2018 $'000	2017 $'000
Asia Pacific	**30,161**	27,468
Europe	**85,153**	5,555
	115,314	33,023

The Group's property, plant and equipment are located mainly in Singapore as at 31 December 2018.

(c) Revenue from major customers

For the year ended 31 December 2018, the Group's three largest customers by revenue in aggregate, accounted for 97% (2017: 64%) of total revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. LISTING OF COMPANIES IN THE GROUP

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares directly held by the Group		Proportion of ordinary shares directly held by non-controlling interests	
			2018	2017	2018	2017	2018	2017
			%	%	%	%	%	%
Held by the company								
Dyna-Mac Engineering Services Pte. Ltd.[a]	Contractors for project management, engineering, fabrication and installation of land and marine works	Singapore	**100**	100	**100**	100	**–**	–
Dyna-Mac Marine and Heavy Engineering Pte. Ltd.[a]	Contractors for project management, engineering, fabrication and installation of marine works	Singapore	**100**	100	**100**	100	**–**	–
Dyna-Mac Offshore Services Pte. Ltd.[a]	Contractors for repair and marine works	Singapore	**100**	100	**100**	100	**–**	–
Dyna-Mac Engineering (HK) Pte. Ltd.[f]	Provides project management services for projects in the People's Republic of China	Hong Kong	**100**	100	**100**	100	**–**	–
DM Haven Automation Industries (S) Pte. Ltd.[a]	Repair of ships, tankers and other ocean-going vessels, manufacture and repair of marine engine and ship parts, and the provision of manpower resources for shipping-related projects	Singapore	**100**	100	**100**	100	**–**	–
Dyna-Mac Keppel Philippines Inc.[b]	Contractors for project management, engineering, fabrication and installation of land and marine works	Philippines	**60**	60	**60**	60	**40**	40

29. LISTING OF COMPANIES IN THE GROUP (CONT'D)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent 2018 %	2017 %	Proportion of ordinary shares directly held by the Group 2018 %	2017 %	Proportion of ordinary shares directly held by non-controlling interests 2018 %	2017 %
Held by subsidiaries								
Dyna-Mac Engineering Services Sdn. Bhd.[(c)]	Contractors for construction works	Malaysia	**–**	–	**100**	100	**–**	–
Dyna-Mac Do Brasil Construcoes Ltda.[(d)]	(i) Fabrication, sale, installation and repair of modules for oil rigs, FSO and FPSO; and (ii) Land and marine services of engineering, project management and other related services to the exploration and exploitation of oil and gas	Brazil	**–**	–	**100**	100	**–**	–
DMP Marine Fabricator (Nansha) Co. Ltd.[(e)]	Contractors for project management, engineering, fabrication and installation of land and marine works	People's Republic of China	**–**	–	**70**	70	**30**	30

(a) Audited by Ernst & Young LLP, Singapore
(b) Audited by Isla Lipana & Co., PwC member firm, Philippines
(c) Audited by G K LYE PLT., Malaysia
(d) Not required to be audited under the laws of the country of incorporation
(e) Audited by Lawchina Certified Public Accountants Co., LTD, China
(f) Audited by Armando Y. C. Chung & Co., Hong Kong

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the year, the Group has secured several fabrication contracts totalling approximately $150,000,000 from its long-standing customers. Completion of these fabrication contracts are scheduled to spread over 2 years.

31. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Dyna-Mac Holdings Ltd. on 4 April 2019.

INTERESTED PERSON TRANSACTION DISCLOSURE

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,000)	
	12 months ended 31-Dec-18 $'000	12 months ended 31-Dec-17 $'000	12 months ended 31-Dec-18 $'000	12 months ended 31-Dec-17 $'000
PURCHASES AND OTHER EXPENSES				
Transactions with L&W United Engineering Pte. Ltd. ("L&W")				
Subcontracting services for steel and piping fabrication	–	842	–	–
Transactions with L&W Marine Engineering Pte. Ltd. ("L&WM")				
Subcontracting services for steel and piping fabrication	–	968	–	–
Transactions with Lim Lie Tjing				
Consultant services in respect of Human Resources	–	18	–	–
Transactions with United Starex International Limited				
Marketing services rendered	–	540	–	–
Transactions with Keppel FELS Limited				
Subcontracting services for steel and piping fabrication	–	–	–	214
Keppel Subic Shipyard Inc				
Backcharge of utilities and water supply	–	–	1	2
Backcharge of office maintenance	–	–	6	–
Provision of yard services	–	–	3	–
REVENUE				
Keppel FELS Limited				
Other Adhoc projects (other services)ie: Barge Hiring/provision of Berthing Space	–	–	98	301
Keppel Shipyard Limited				
Subcontracting services rendered for steel and piping fabrication	–	–	420	1,367

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Dyna-Mac Holdings Ltd., Corporate Office Building, 45 Gul Road, Singapore 629350 on Thursday, 25 April 2019 at 4.00 p.m. for the purpose of transacting the following business:–

AS ORDINARY BUSINESS

1. To receive and adopt the Director's Statement and Audited Financial Statements for the year ended 31 December 2018 together with the Independent Auditors' Report. (Resolution 1)

2. To approve Directors' Fees of S$245,862 for the financial year ending 31 December 2019 to be paid to the Directors quarterly in arrears. (Resolution 2)

3. To re-elect Dr Ong Seh Hong who retires in accordance with Article 91 of the Company's Constitution and who, being eligible, offers himself for re-election. (Resolution 3)

   Dr Ong Seh Hong is considered an Independent Director and will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees.

4. To re-elect Mr Tan Soo Kiat who retires in accordance with Article 91 of the Company's Constitution and who, being eligible, offers himself for re-election. (Resolution 4)

   Mr Tan Soo Kiat is considered an Independent Director and will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

5. To re-elect Ms Lee Kim Lian Juliana who retires in accordance with Article 97 of the Company's Constitution and who, being eligible, offers herself for re-election. (Resolution 5)

   Ms Lee Kim Lian Juliana is considered an Independent Director and will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committe and a member of the Audit and Remuneration Committees.

6. To re-appoint Messrs Ernst & Young LLP ("**EY**") as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without modifications:–

7. Authority to issue shares (Resolution 7)

   That the Directors be and are hereby authorised, pursuant to the provisions of Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, to issue shares and convertible securities in the Company (including the issue of shares and convertible securities by way of rights, bonus or otherwise and to grant offers, agreements and options which would or which might require shares to be issued) to such persons, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, PROVIDED ALWAYS THAT:

   (i) the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company, and

NOTICE OF THE ANNUAL GENERAL MEETING

(ii) such authority shall (unless varied or revoked by the Company in the general meeting) continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next general meeting of the Company is required by law to be held, whichever is the earlier.

For the purpose of determining the aggregate number of the Company's shares that may be issued by the Company pursuant to this Resolution, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company at the time of the passing of this Resolution, after adjusting for (i) new shares arising from the conversion or exercise of convertible securities, (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing this Resolution, provided the options or awards were granted in compliance with the SGX-ST listing rules and (iii) any subsequent bonus issues, consolidation or subdivision of shares.

8. Renewal of the mandate for interested person transactions (Resolution 8)

That:–

(i) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries, its target associated companies and corporations which become the Company's subsidiaries or target associated companies (the "Group") or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as described in the Appendix with any party who is of the class of Interested Persons as described in the Appendix provided that such transactions are made on an arm's length basis and on normal commercial terms and in accordance with the review procedures for such Interested Person Transactions as set out in the Appendix (the "Shareholders' Mandate");

(ii) the approval given for the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company; and

(iii) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution.

9. To transact any other business that may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Liew Meng Ling
Company Secretary

Date: 10 April 2019
Singapore

NOTICE OF THE ANNUAL GENERAL MEETING

Notes:

1) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint no more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and where there is more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.

2) Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the meeting. Relevant intermediary is either:
   a) A banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   b) A capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
   c) The Central Provident Fund ("CPF") Board established by The Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

3) The instrument appointing a proxy shall, in the case of an individual, be signed by the appointor or his attorney, and in the case of a corporation shall be either given under the Common Seal (or by the signatures of authorised persons in the manner set out under the Companies Act, Cap. 50 as an alternative to sealing) or signed by an authorised attorney or an authorised officer on behalf of the corporation.

4) The instrument appointing a proxy must be deposited at the registered office of the Company at 59 Gul Road Singapore 629354 not less than seventy-two (72) hours before the time appointed for holding the meeting.

Explanatory Notes on Special Business to be Transacted

Resolution 7: This is to empower the Directors, from the date of the above Meeting until the next Annual General Meeting ("AGM"), to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings in the capital) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders must not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings in the capital) of the Company. This approval will unless varied or revoked at a general meeting, expire at the next AGM of the Company or the expiration of the period within which the next AGM of the Company is required to be held, whichever is earlier.

Resolution 8: This resolution seeks to renew the annual mandate to allow the Company, its subsidiaries and associated companies that are entities at risk, or any of them, to enter into certain Interested Person Transactions with persons who are considered "Interested Persons" (as defined in Chapter 9). Details of the terms of the mandate are set out in the Appendix to the 2018 Annual Report.

NOTICE OF THE ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Kindly note that by attending the Annual General Meeting, the members of the Company, their proxy(ies)/and/or representative(s) consent to the video-recording of the proceedings of the Annual General Meeting for the Company's records.

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DYNA-MAC HOLDINGS LTD.

Company Registration No. 200305693E
(Incorporated in the Republic of Singapore)

IMPORTANT NOTES

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Dyna-Mac Holdings Ltd. shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2019.

Proxy Form

Annual General Meeting

I/We ______________________________ (Name), ____________________ (NRIC/Passport/Co Reg No.)

of ____ (Address)

being a member/members of Dyna-Mac Holdings Ltd. (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings to be represented by proxy (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings to be represented by proxy (%)

as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM") of the Company, to be held at Dyna-Mac Holdings Ltd, Corporate Office Building, 45 Gul Road, Singapore 629350 on Thursday, 25 April 2019 at 4.00 p.m. and at any adjournment thereof.

I/We have indicated with an "X" against each resolution set out in the Notice of AGM and summarised below how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his/their discretion. If no persons is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business:		
1	Adoption of Directors' Statement and Independent Auditors' Reports and Financial Statements		
2	Approval of Directors' Fees for the year ending 31 December 2019		
3	Re-election Dr Ong Seh Hong who is retiring in accordance with Article 91 of the Company's Constitution		
4	Re-election of Mr Tan Soo Kiat who is retiring in accordance with Article 91 of the Company's Constitution		
5	Re-election of Ms Lee Kim Lian Juliana who is retiring in accordance with Article 97 of the Company's Constitution		
6	To appoint Ernst & Young as Auditors		
	Special Business:		
7	Authority to issue shares pursuant to Section 161 of the Companies Act, Cap. 50		
8	Renewal of mandate of Interested Person Transactions		
9	Any other business		

Dated this ________ day of ____________________ 2019.

Total Number of Shares held	

____

Signature(s) of Member(s)/Common Seal

(Please read notes overleaf)

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and the shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint no more than two proxies, whether a member or not, to attend and vote instead of him at the Annual General Meeting.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the meeting. Relevant intermediary is either:
   (a) A bank corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   (b) A capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
   (c) The Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 59 Gul Road Singapore 629354, not less than 72 hours before the time appointed for the AGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either given under its common seal (or by the signatures of authorised persons in the manner set out under the Companies Act, Cap. 50 as an alternative to sealing) or under the hand of an officer or attorney duly authorised.
7. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore to attend and vote for and on behalf of such body corporate.
8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
10. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at this Annual General Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies. In addition, in the case of members whose shares are deposited with The Central Depository (Pte) Limited, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2019.

精砺 DYNA-MAC
beyond your expectations

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