

DYNA-MAC HOLDINGS LTD.
Co. Reg. No. 200305693E
(Incorporated in Singapore)

EMPHASIS OF MATTER BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

In compliance with Rule 704(5) of the Listing Manual, the Board of Directors of Dyna-Mac Holdings Ltd (the "Company" and together with its subsidiaries, the "Group") wishes to inform shareholders and investors that its independent auditors, Ernst & Young LLP (the "Auditors"), have included an emphasis of matter in their report (the "Independent Auditor's Report") in relation to the financial statements of the Group for the financial year ended 31 December 2019 (the "Financial Statements"), an extract of which, together with the related Notes 2.1 and 31 to the Financial Statements are set out in Appendix A to this announcement.

The opinion of the Auditors however remains unqualified.

Shareholders of the Company are advised to read the Financial Statements in the Company's Annual Report 2019, which will be dispatched in due course.

BY ORDER OF THE BOARD

Lim Ah Cheng
Executive Director and CEO

Date: 8 April 2020

**INDEPENDENT AUDITOR'S
REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Report on the Audit of the Financial Statements

Material Uncertainty Related to Going Concern

The Group incurred a net loss of \$23,998,000 during the year ended 31 December 2019. We draw attention to Note 2.1 to the financial statements, which highlights the uncertainty over the timing of the cash flows from the billing milestones and awards of new contracts. These factors indicate a material uncertainty that may cast significant doubt on the ability of the Group to generate sufficient operating cashflows and continue as a going concern.

Based on the considerations disclosed in Note 2.1 to the financial statements, the directors are of the view that the use of the going concern assumption in the preparation of the accompanying financial statements is appropriate.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded on the Group's balance sheet. In addition, the Group may have to reclassify noncurrent assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not modified in respect of this matter.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2.1 Going concern assumption

The Group incurred a net loss of \$23,998,000 (2018: Net profit of \$1,500,000) during the year ended 31 December 2019.

The management and directors of the Group, having reassessed the available sources of liquidity and funding, believe that the Group can continue as a going concern for the foreseeable future. In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group and the Company, the following factors were considered:

(a) New orders secured and potential new orders

The Group expects that new orders secured and potential new order will generate adequate cash flows to repay its debt obligations as and when they fall due within the next twelve months from the date of this report.

As at 31 December 2019, the Group's net order book stood at \$67,092,000 (2018: \$7,000,000). Subsequent to the financial year end, the Group secured several fabrication contracts of \$18,000,000 with completion and deliveries extending into the second quarter of 2021.

Although the Group expects the market environment to remain challenging in the next twelve months due to global economic risks as well as the impact of the COVID-19 outbreak, the Group expects to secure additional contracts over the course of the year ahead.

The Group continues to source and negotiate for new contracts, both in the offshore segment of the oil and gas industry, as well as onshore works requiring the Group's expertise in detailed engineering, fabrication and construction.

(b) Availability of credit facilities

As at 31 December 2019, the Group has banking facilities for short-term trade loans and advances totalling \$27,500,000 (2018: \$27,500,000). The Group's bank borrowing of approximately \$13,308,000 (Note 20) as at 31 December 2019 (2018: \$19,993,000) relates to amounts drawn under these facilities.

Subsequent to the year, the Group has also received an in-principal approval from a bank to restructure its banking facilities by pledging its Main Yards to the bank for additional facilities of \$30,000,000 comprising of short-term trade credit facilities and advances.

Proactive and careful management of the Group's liquidity will continue to be a key priority of the Group. In view of the continuing credit facilities being made available to the Group, management is confident that the Group will be able to meet expected cash outflows and required working capital.

(c) COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. As disclosed in Note 31, while the Group has not seen a significant impact on the Group's business to date, the outbreak and measures implemented by the Governments in dealing with the pandemic have interfered with the general level of activities within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at date of this report. Note 31 further discloses the Group's considerations of the COVID-19 outbreak on the consolidated financial statements.

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 2019

31. EVENTS OCCURRING AFTER THE REPORTING PERIOD

1. Subsequent to the financial year end, the Group secured several fabrication contracts of \$18,000,000 with completion and deliveries extending into the second quarter of 2021.
2. An Offer to Purchase ("OTP") dated 17 February 2020 was received from a third party to purchase the Company's investment properties at 37 and 39 Tech Park Crescent for a purchase price of \$9,500,000.
3. On 5 March 2020, the Group incorporated a wholly-owned subsidiary, Dyna-Mac Heavy Industry (Jiangsu) Co., Ltd. in Jiangsu, the People's Republic of China.
4. The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. While the Group has not seen a significant impact on the Group's business to date, the measures implemented by Governments in dealing with the pandemic have interfered with the general level of activities within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support business. This being the case, the Group does not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019 its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19.