

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

ENTRY INTO JOINT VENTURE AGREEMENT

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Dyna-Mac Holdings Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its indirect wholly-owned subsidiary, Dyna-Mac Offshore Engineering (Shanghai) Co., Ltd (hereinafter referred to as “**DM Shanghai**”) has on 9 April 2020 entered into a joint venture agreement (“**JVA**”) with China Merchants Heavy Industry Holdings Limited (hereinafter referred to as “**CMHIH**”) to incorporate a new joint venture company in China (“**Joint Venture**”). DM Shanghai and CMHIH shall collectively be referred to as the “**JV Parties**”, and each a “**JV Party**”.

2. INFORMATION ON THE JV PARTIES

The information on CMHIH, CMIH, CMG and CMHIJS were provided by CMHIH and/or extracted from publicly available sources. In respect of such information, the Company and the Board have not independently verified the accuracy and correctness of the same and the Company’s responsibility is limited to the proper extraction and reproduction herein in the context that the information is being disclosed in this announcement.

CMHIH is a limited liability company incorporated in Hong Kong. It is a wholly-owned subsidiary of China Merchants Industry Holdings Co., Ltd (“**CMIH**”), a company incorporated in Hong Kong. CMIH is part of the China Merchants Group (“**CMG**”), a leading state-owned enterprise based in Hong Kong, under direct supervision of state-owned Assets Supervision and Administration Commission of the State Council. CMIH has been in the ship-repairing business since 1874. As one of the four central state-owned enterprises in the area of offshore equipment manufacturing, CMIH now takes charge of nine shipyards and seven shipbuilding and repairing bases.

CMHIH is the holding company of China Merchants Heavy Industry (Jiangsu) Co., Ltd (“**CMHIJS**”), a limited liability company incorporated in China. CMHIJS is in the business of specialised ship construction and fabrication which includes floating production storage and offloading, floating liquefied natural gas, cruise vessels, mobile offshore drilling units, lift boats, drilling modules and living quarters, self-propelled semisubmersible vessels, diving support vessels, floating crane barges, pipe-laying barges, dredgers, seismic survey vessels, wind turbine installation vessels and other special-purpose vessels.

CMHIH is an independent third party and is not related to the Company, any of the Company’s directors, substantial shareholders or their associates.

3. PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT

3.1. Joint Venture Company

In accordance with the terms of the JVA, the JV Parties shall incorporate a joint venture company in China known as DM-CMHI Heavy Industry (Jiangsu) Co., Ltd (精砺海事重工 (江苏) 有限公司) (“**JVCo**”). The JVCo shall engage in the business of engineering, procurement, construction and pre-commissioning works for topside modules, turrets and topside modules integration, and onshore modules (“**Module Business**”) and such other business as the board of directors of the JVCo (“**JVCo Board**”) may approve (“**JVCo Business**”).

The JV Parties shall cause that the JVCo conducts the JVCo Business in China (excluding Hong Kong and Macao Special Administrative Regions and Taiwan) (“**Territory**”) and such additional jurisdictions as the JVCo Board may approve.

The registered capital of the JVCo shall be USD 1,500,000 and the shareholding structure of the JVCo shall be as follows:

Party	Contribution to the total registered capital of the JVCo	% of equity interests in the total registered capital of the JVCo
DM Shanghai	765,000	51%
CMHIH	735,000	49%

3.2. Obligations of the JV Parties to the JVCo

The JV Parties shall use their best efforts to carry out the following responsibilities and contributions to the JVCo:

- (a) DM Shanghai shall be mainly responsible for:
 - (i) assisting the JVCo in identifying the needed type and source of materials and/or resources to be used and deployed for the JVCo Business; and
 - (ii) upon the request of the JVCo and for the JVCo Business, seconding staff of the Group to the JVCo through separate secondment agreements, whereby the relevant Group company shall be reimbursed for such an arrangement.
- (b) CMHIH shall be mainly responsible for:
 - (i) based on the requirements of the JVCo Business, procuring that the JVCo shall have access to and use of the required shipyard(s) and their respective fabrication area(s) which are, directly or indirectly, wholly-owned or majority-owned, by CMIH, through separate lease agreements;
 - (ii) based on the requirements of the JVCo Business, granting the JVCo equipment and facilities owned by CMIH and its subsidiaries, and developing and maintaining the leased shipyards and their respective fabrication areas at its own cost (or the cost of the relevant CMIH entity); and

- (iii) upon the request of the JVCo, seconding staff of CMIH and its subsidiaries to the JVCo in order to carry out the JVCo Business, whereby the relevant CMIH entity shall be reimbursed for such an arrangement.

3.3. JVCo Board

The JVCo Board shall consist of five directors, three of whom shall be nominated by DM Shanghai and two shall be nominated by CMHIH. A director nominated by DM Shanghai shall serve as chairman and a director nominated by CMHIH shall serve as vice-chairman. The chairman shall also be the legal representative of the JVCo.

3.4. Exclusivity

The JV Parties shall cooperate exclusively with each other in the Territory, through the JVCo, to tender and/or carry out the relevant projects or any other Module Business pursuant to the JVA.

4. **GUARANTEE**

In consideration of CMHIH entering into the JVA and undertaking to carry out its obligations pursuant to the terms and conditions set out in the JVA, the Company has agreed to provide a general guarantee to CMHIH in relation to the capital contributions made by DM Shanghai to the registered capital of the JVCo as set out in paragraph 3.1 above ("**Guarantee**").

5. **RATIONALE FOR AND BENEFITS OF THE JOINT VENTURE**

DM Shanghai's entry into the JVA is in line with the Company's vision of becoming a global leader in providing reliable, affordable products and services for the oil and gas industries.

The Joint Venture will enable the JV Parties to leverage their respective strengths to expand their respective businesses. The Company, through the JVCo, will gain access to CMHIH's infrastructure while CMHIH will be able to tap on the Group's experience and knowledge in conducting the JVCo Business.

The Board believes that the Joint Venture will add value to the Group's existing businesses and will enable the Group to diversify its revenue stream and seize growing business opportunities in other synergistic industries.

6. **RELATIVE FIGURES BASED ON THE BASES SET OUT IN RULE 1006 OF THE MAINBOARD LISTING RULES**

The relative figures for the Joint Venture and the Guarantee (collectively, the "**Transaction**") as computed on the bases set out in Rule 1006 of the Mainboard Rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Mainboard Listing Rules**") are as follows:

Mainboard Listing Rule	Relative Figures (%)
<u>Rule 1006(a)</u> The net asset value of the assets to be disposed of, compared with the group's net asset value.	Not Applicable
<u>Rule 1006(b)</u> The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	Not Applicable
<u>Rule 1006(c)</u> The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	1.24% ¹
<u>Rule 1006(d)</u> The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable
<u>Rule 1006(e)</u> The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not Applicable

¹ The market capitalisation of the Company was computed based on the existing issued share capital of the Company of 1,023,211,000 shares and the closing price of S\$0.086 per share on 8 April 2020 (being the last traded market day of the shares prior to executing JVA). The Company does not have any treasury shares.

As none of the relative figures computed on the bases pursuant to Rule 1006 exceeds 5%, the Transaction constitutes a non-discloseable transaction under Chapter 10 of the Mainboard Listing Rules. This announcement is being made pursuant to Rule 1008(2) of the Mainboard Listing Rules.

7. FINANCIAL EFFECTS OF THE TRANSACTION

The Transaction is not expected to have any material impact on the net tangible assets or earnings per share of the Group for the current financial year ending 31 December 2020.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the date of this announcement, none of the directors of the Company's directors, substantial shareholders or their associates has any interest, direct or indirect, in the Joint Venture, other than through their respective shareholdings in the Company (if any).

9. FURTHER ANNOUNCEMENTS

The Company will make further announcements in relation to the Joint Venture as and when there are material developments.

BY ORDER OF THE BOARD

Lim Ah Cheng
Chief Executive Officer
9 April 2020