精砺 DM DYNA-MAC
beyond your expectations

FOCUS
CONSOLIDATE
DELIVER

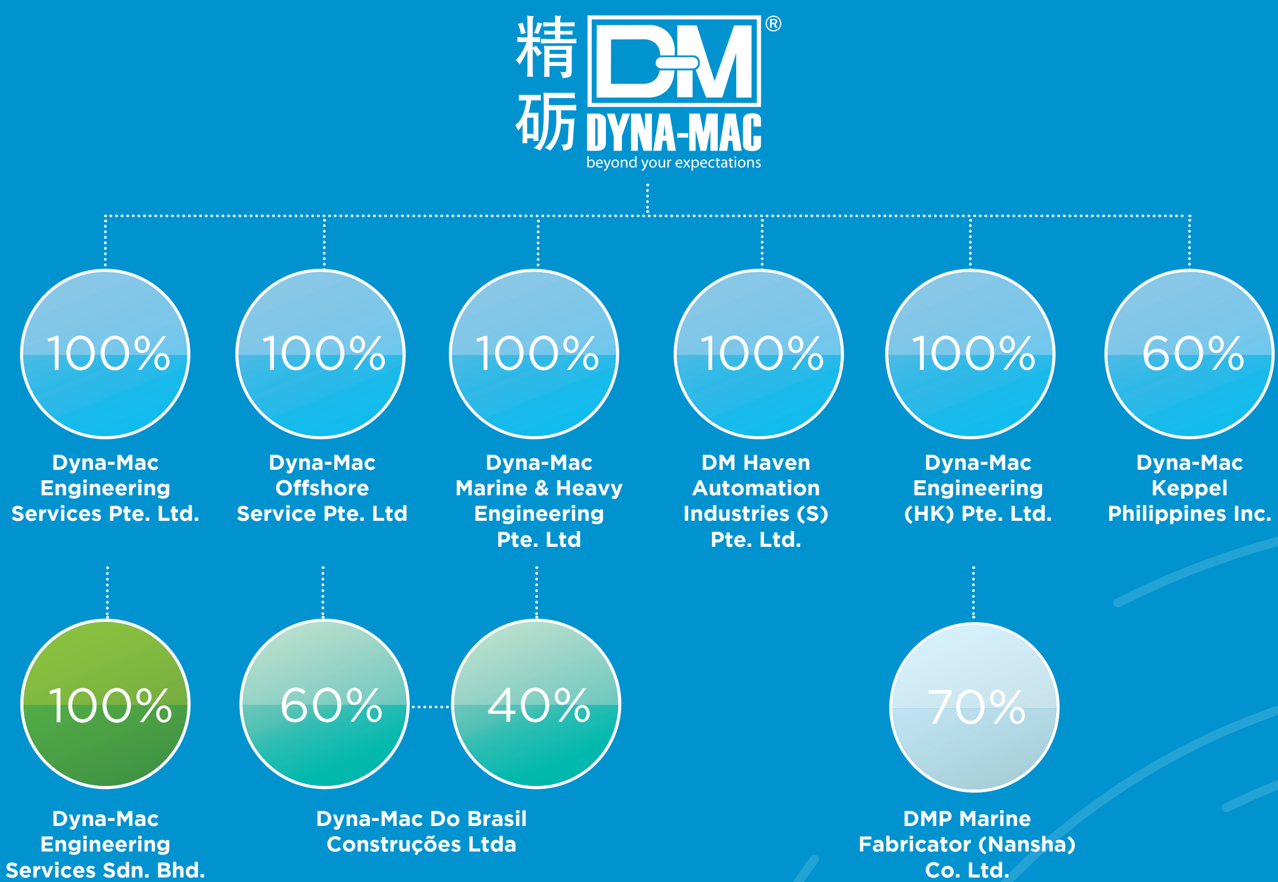
2016
ANNUAL REPORT

CONTENTS

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 AND MALAYSIA, WITH PARTNERSHIP PRESENCE IN THE PHILIPPINES, CHINA AND BRAZIL**.

CORPORATE **STRUCTURE**



2016 KEY **FIGURES**

Revenue

$204.0 million

Gross Profit

$41.8 million

Net Loss

$15.7 million

Cash and Bank Balances

$69.5 million

Loss Per Share

(1.52) cents

Net Asset Value Per Share

16.29 cents

Market Capitalisation

$184.2 million

VISION & MISSION

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

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

2016 HIGHLIGHTS

4 PROJECTS COMPLETED AND DELIVERED

$12.6m NEW ORDERS FOR 2016

$12.8m ORDERBOOK AS AT FEBRUARY 2016

$50m COMPLETED EARLY REDEMPTION OF ALL THE $50M OUTSTANDING NOTES IN FULL

26 ANNIVERSARY YEARS FOR DYNA-MAC

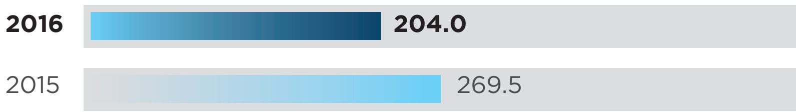
GROUP FINANCIAL **HIGHLIGHTS**

	FY2016	FY2015	% Change
REVENUE AND PROFIT ($'000)			
REVENUE	**204,047**	269,512	-24.3%
Gross profit	**41,835**	49,674	-15.8%
Gross profit margin (%)	**20.5%**	18.4%	11.4%
Loss before income tax	**(14,922)**	(1,810)	n.m.
Loss after income tax	**(15,665)**	(5,183)	n.m.
Loss after income tax (%)	**-7.7%**	-1.9%	n.m.
Loss attributable to:			
– Equity holders of the company	**(15,522)**	(3,453)	n.m.
– Non-controlling interest	**(143)**	(1,730)	-91.7%
BALANCE SHEET ($'000)			
Total assets	**261,618**	375,708	-30.4%
Total liabilities	**(94,946)**	(195,202)	-51.4%
Net assets	**166,672**	180,506	-7.7%
FINANCIAL INDICATORS			
Loss per share (cents)	**(1.52)**	(0.34)	n.m.
Dividends (cents)[(a)]	**-**	–	n.m.
Loss on equity (%)	**(9.40)**	(2.87)	n.m.
Net gearing (times)[(b)]	**-**	–	n.m.
CASH FLOW ($'000)			
Cash flow from operations before working capital changes	**26,187**	22,933	14.2%
Net cash provided by operating activities	**31,430**	54,522	-42.4%
Net cash provided by investing activities	**45**	18,795	-99.8%
Net cash (used in) financing activities	**(48,540)**	(3,810)	n.m.
Cash and cash equivalents	**69,535**	85,211	-18.4%

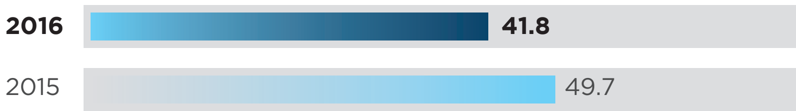
Notes:
(a) No dividends declared for the financial year
(b) Net cash position

GROUP FINANCIAL **HIGHLIGHTS**

REVENUE ($'M)



GROSS PROFIT ($'M)



NET LOSS BEFORE INCOME TAX ($'M)

GROSS PROFIT MARGIN (%)

NET LOSS ($'M)

ROE (%)

CEO's LETTER TO SHAREHOLDERS

We are actively looking at ways to lower cost and increase production quality and efficiency by looking at automation and streamlining certain production processes. We will continue to right-size the company in terms of manpower and facilities, to cater to the current level of available projects in the market. We believe with the dedication and determination of all our employees, our biggest asset, we hope to be able to emerge stronger and better after this phase of downturn.

Our Chairman and Chief Executive Officer, Lim Tze Jong

Dear Shareholders,

As oil prices continue to hover around US$45 to US$55 range, we see global exploration and production expenditure by major oil and gas companies continue to remain conservative in giving approvals for new projects. We also begin to see some companies in the local oil and gas sector addressing concerns on operating issues and undertaking financial restructuring and consolidation. While Dyna-Mac has cash and bank balances of S$69.5 million as at 31 December 2016, we have posted a higher net loss of S$15.7 million as compared to S$5.2 million in 2015.

The net loss was attributable mainly to two factors.

First, we experienced lower gross profit mainly due to slower progress in construction which in turn was caused by delays in receiving engineering drawings and free-issued materials from one of our customers in the previous project. This was coupled with fixed direct overheads carried by idle facility in our yard in Malaysia.

Secondly, there was a S$11.3 million in write-off of certain long outstanding debts, S$5.6 million impairment of goodwill relating to the operations in China, and S$11.1 million impairment of non-movable fixed assets due to the idle facility in yard in Malaysia.

Excluding these one-time write-off of S$28.0 million, Dyna-Mac would have registered a net profit of S$12.3 million for 2016.

Group revenue was S$204.0 million in 2016, while gross profit was S$41.8 million with net loss at S$15.7 million.

Dividend

While we constantly strive to reward our shareholders with a sustainable and consistent dividend, we are also mindful of the need for long-term sustainable growth for the Group.

In view of the challenging market environment coupled with the need to conserve cash for the future, the Board of Directors viewed it prudent not to recommend a dividend for the financial year ended 31 December 2016.

Review of Business Operations

The Group registered a 24.3 per cent decline in revenue from S$269.5 million in 2015 to S$204.0 million in 2016. A total of two small size projects were awarded and four projects were completed and delivered to customers in 2016. Three projects were carried out in our yards in Singapore while one project was carried out in our yard in Malaysia. Our facility in our yard in Malaysia was under-utilized which in turn was caused by low volume of work awarded by our clients as international market is not seeing many new projects.

In 2016, a total of 28 topside modules, 18 pipe racks, one turret assembly unit, one flare tower and one skid were completed and delivered to owners.

These comprised five modules for FPSO Kraken, six modules for Block 15/06 East Hub Development, and 11 modules, two pipe racks, one turret assembly unit, one flare tower and one skid for FPSO Catcher. We also delivered six modules for the Zadco UZ 1M Enabler Project and 16 pipe racks for Singapore Jurong Cogen Project.

CEO's LETTER TO SHAREHOLDERS

Topside module

The topside modules segment was the largest contributor, constituting 94.3 per cent or S$192.3 million of our total revenue in 2016, with the balance of 5.7 per cent or S$11.7 million from others comprising specialized onshore and offshore structures.

Re-positioning for the Future

We see the prolonged low oil prices at US$45 to US$55 range as the new norm. We are re-positioning the Group to adjust and adapt to the new market environment where tenders come in smaller sizes and lower profit margin. We are actively looking at ways to lower cost and increase production quality and efficiency by looking at automation and streamlining certain production processes. We will continue to right-size the Group in terms of manpower and facilities, to cater to the current level of available projects in the market. We believe with the dedication and determination of all our employees, our biggest asset, we hope to be able to emerge stronger and better after this phase of downturn.

Sustainability Matters

Recognizing the importance of balancing our economic, environmental and social objectives, Dyna-Mac remained committed to sustainability and corporate social responsibility.

As a responsible business enterprise, we focused on value creation for our employees, customers, contractors, suppliers, partners and stakeholders through upholding good corporate governance, maintaining health and safety standards, limiting our impact on the environment, using resources more efficiently as well as promoting community care and engagement.

We continue to recruit, train and retain the best people for the job. The Group has a systematic training and career development plan to retain employees for business sustainability.

The Group also reached out to many segments of the community through various initiatives, including sponsorship of a number of social and charitable activities.

Our yard in Tanjung Kupang, Johor, Malaysia

CEO's LETTER TO SHAREHOLDERS

Outlook and Prospects

The Group's net order book as at 31 December 2016 stood at S$12.8 million, which included a new project from a repeat customer for a contract value of US$6.5 million and a new project of US$2.5 million from a new customer. Our backlog is expected to be fully completed by 3Q2017.

The Group continues to tender actively for projects in both the offshore oil and gas industry, as well as onshore works which require the Group's area of expertise in detailed engineering, fabrication and construction. The Group also collaborates with experienced engineering firms to participate in tenders which involve Engineering, Procurement and Construction. The Group remains optimistic that we will be to secure some amount of work for 2017.

Acknowledgements

On behalf of the Board, I would like to express our deepest gratitude to our customer partners and business associates for their steadfast support and their continued confidence in us over the years. A word of appreciation also extends to the Board of Directors, our dedicated team of management, employees, contractors and suppliers for their hard work and commitment. We shall continue working together as a united, resilient team to further enhance our operational efficiencies and build a globally competitive group for sustainable growth.

Finally, we would like to extend our heartfelt thanks to our valued shareholders for their continuous support of the Dyna-Mac Group.

Lim Tze Jong Desmond
Executive Chairman & CEO

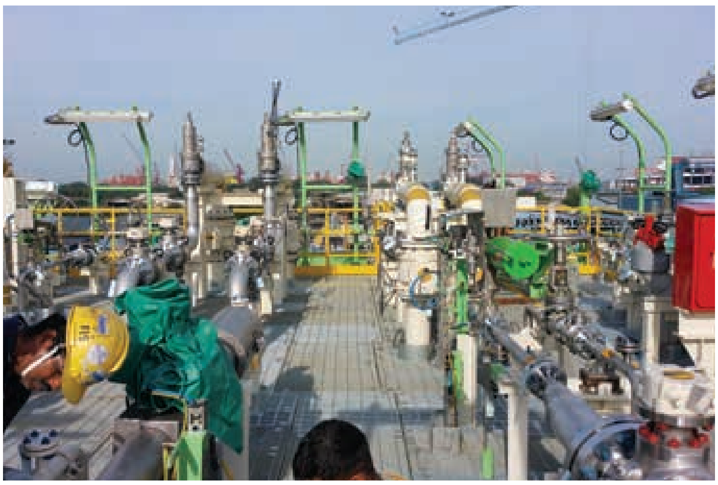
Topside module load-out

Pipe tracks being transported to sea-front for load-out

CEO's LETTER TO SHAREHOLDERS

Topside module load-out

Piping works in our workshop



Top deck of a topside module

CORE **VALUES**

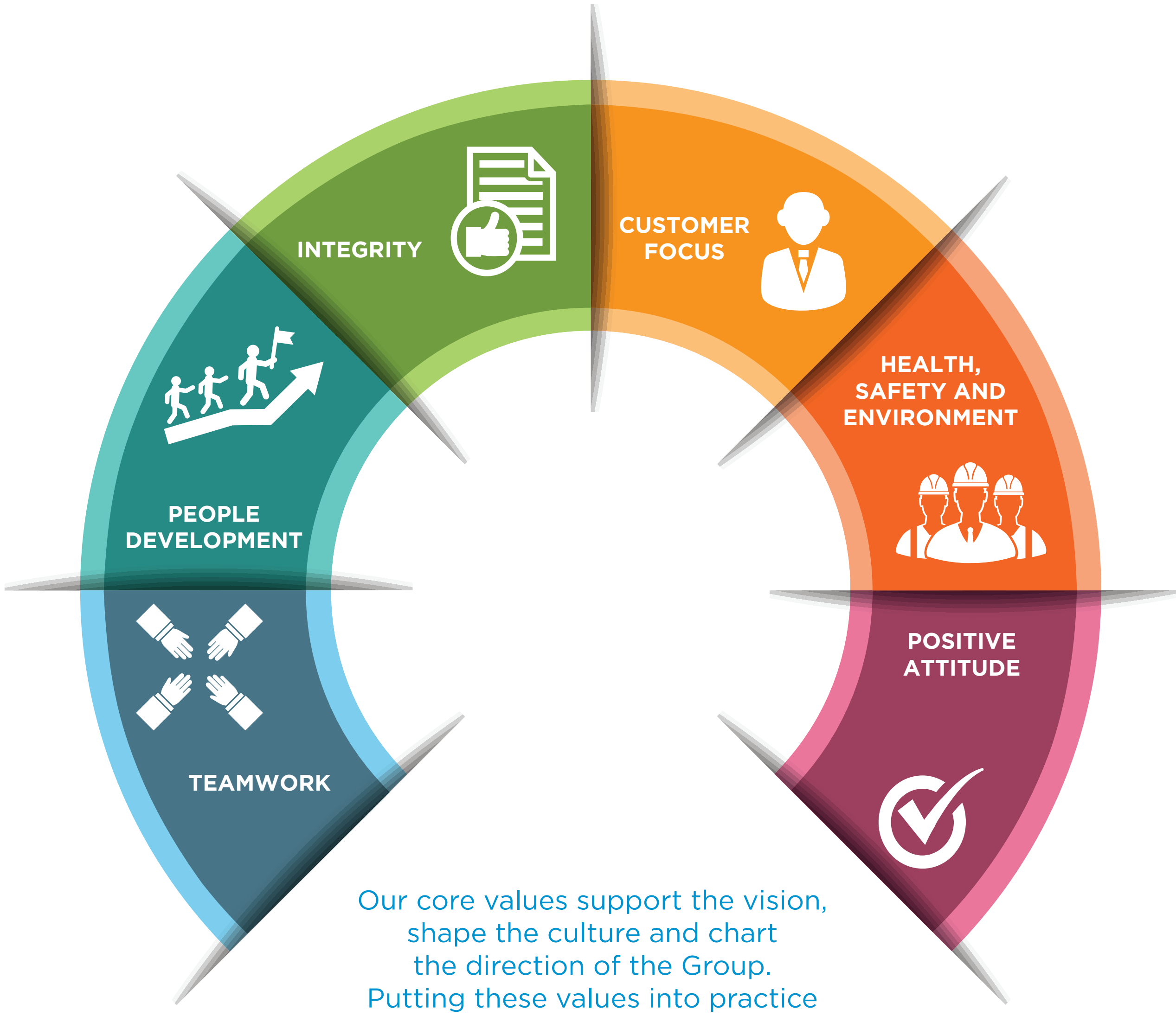
DRIVEN BY EXCELLENCE

At Dyna-Mac, we are firm believers in the value of service excellence. As such, we are committed to ensuring the reliability of our performance and the enduring quality of our products. By delivering projects that are completed safely, on time and within budget, Dyna-Mac is a partner our clients can trust.

Driven by a philosophy of delivering excellence, we are constantly looking for ways to strengthen our competencies and boost our capabilities to deliver unsurpassed quality services that exceed the expectations of our clients. In doing so, we improve on the remarkable performance we have already achieved to attain new levels of excellence.

Our workforce

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.

BOARD OF **DIRECTORS**

Mr Lim Tze Jong Desmond

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 Varghese John

Senior Chief Corporate and Technical Officer
Executive/Non-Independent Director
Appointed 8 February 2011

Mr Varghese is an Executive and a Non-Independent Director. He joined the Group in 1999 and is currently the Senior Chief Corporate and Technical Officer of Dyna-Mac. He oversees the company's corporate matters and technical aspects including engineering, quality assurance and quality control, quantity surveyor, safety and security.

Mr Varghese brings with him more than 40 years of working experience in project management for engineering, procurement and construction contracts involving refineries, chemical plants and oil and gas projects and in the field of quality assurance.

Mr Varghese holds a Bachelor in Mechanical Engineering from the University of Kerala, India. He was a member of the United National Industrial Development Organization Fellowship programme in Welding Technology at Kiev, the former USSR, and a fellow of the Welding Institute UK until 1995. He is also a member of the Singapore Welding Society and the Indian Institute of Welding. He published several technical papers on quality, productivity and project management on FPSO topside modules.

BOARD OF DIRECTORS

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, development and maintenance, 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.

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.

BOARD OF DIRECTORS

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.

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 chartered accountant with New Zealand Institute of Chartered Accountants.

Dr Ong Seh Hong

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

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

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 Ltd, Independent Director of Zhongmin Baihui Retail Group Holdings 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.

BOARD OF DIRECTORS

Mr Chia Hock Chye Michael

Non-Executive/Non-Independent Director

Appointed 8 November 2012

Mr Chia is a Non-Independent Director and serves as a member on the Board's Audit, Remuneration and Nominating Committees.

A Colombo Plan Scholar, Bachelor of Science (First Class Honours) in Naval Architecture and Marine Engineering, University of Newcastle-Upon-Tyne; Masters in Business Administration, National University of Singapore; Graduate Certificate in International Arbitration, National University of Singapore.

Concurrently, holds the positions of Managing Director (Marine & Technology) of Keppel Offshore & Marine Ltd and Managing Director of Keppel Offshore & Marine Technology Centre.

Started his career in Keppel FELS in 1980 and held several appointments in Yard Management, Corporate Planning, Marketing and Commercial and General Manager Operations. Also served a stint overseas with the Group in China and Hong Kong during 1985-1989. Served as Executive Director of Keppel FELS from 2002 to 2009, CEO of Keppel Integrated Engineering from 2009 to 2010, Deputy Chairman of Keppel Integrated Engineering Ltd from 2009 to 2011 and Director, Group Strategy and Development of Keppel Corporation from January 2011 to January 2013.

Elected as the President of the Association of Singapore Marine Industries from 2005 to 2009, a non profit association formed in 1968 to promote the interests of the marine industry in Singapore and was a member of the Ngee Ann Polytechnic Council from 2006 to 2012. He was a Board Member of Singapore Maritime Foundation from June 2005 to January 2015 which he served in the role of Chairman during the last 6 years. He is also a member of The American Bureau of Shipping.

Mr Wong Ngiam Jih

Non-Executive/Non-Independent Alternate Director

Appointed 2 September 2013, resigned on 31 March 2017

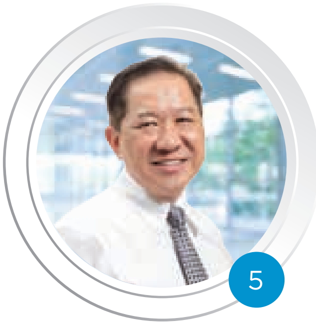
Mr Wong was appointed an Alternate Director to Mr Chia Hock Chye Michael on 2 September 2013 and resigned on 31 March 2017. He is currently the Chief Financial Officer at Keppel Offshore & Marine.

Prior to his current position, Mr Wong held various positions within the Keppel Group of companies within a span of 40 years. He is also a Director of a number of companies in the Keppel Group, including Keppel Nantong Shipyard, Keppel Singmarine and Keppel Smit Towage.

Mr Wong hold a Bachelor of Business Administration from the National University of Singapore.

SENIOR **MANAGEMENT**

01 Mr Lim Tze Jong Desmond
02 Mr Varghese John
03 Ms Tiong Sai Lan Joyce
04 Mr Lim Tjew Yok
05 Mr Teo Boon Hwee Simon



06 Mr Park Yong Kap
07 Ms Chong Swee Lee
08 Mr Chin Woon Kwong Ian
09 Mr Lee Poh Tong Vincent

SENIOR MANAGEMENT

MR LIM TZE JONG DESMOND

Chairman and Chief Executive Officer

MR PARK YONG KAP

Senior Vice-President (Business Development)

Bachelor in Naval Architecture, INHA University, Korea

MR VARGHESE JOHN

Senior Chief Corporate and Technical Officer

Bachelor in Mechanical Engineering,
University of Kerala, India

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

MS TIONG SAI LAN JOYCE

Chief Financial Officer

Fellow member, Association of Chartered Certified Accountants
Member, Institute of Singapore Chartered Accountant

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

MR LIM TJEW YOK

Chief Operating Officer

Diploma in Mechanical Engineering,
Singapore Polytechnic

MR LEE POH TONG VINCENT

Vice-President (Procurement and Subcontracting)

GCE 'O' Level

MR TEO BOON HWEE SIMON

Chief Marketing Officer

Bachelor in Production Technology and Production Management (Honours), University of Aston, Birmingham, UK

CORPORATE **GOVERNANCE**

Load-out of topside module

The Directors recognise 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. The statement 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.

(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 Board effectively leads the Company, working together with the Management to achieve success for the Group. 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; and
6. Assume responsibility for corporate governance

CORPORATE GOVERNANCE

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.

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 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 programme also allows 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 financial year 2016 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 the financial year ended 31 December 2016, at least four scheduled Board Meetings were held. Ad hoc meetings are held when the circumstances require. 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 26 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 which two of them are Independent Directors. The Nominating Committee conducted its annual review of the Directors' independence. Bearing in mind that the new Code prescribes that half of the Board of Directors should consist of Independent Directors where the Chairman also holds the position of Chief Executive Officer, the Nominating Committee had accordingly recommended to the Board to consider the appointment of additional independent director in due course.

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 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 for their consideration, will evaluate the assumptions made by the Management and these Directors also 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.

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.

CORPORATE **GOVERNANCE**

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 Chief Executive Officer, the Company always ensures that there is a clear division of responsibilities between these two roles. As the Executive Chairman of the Group, with the assistance of the Management, Mr Desmond Lim ensures that there is effective communication with shareholders, encourages constructive relations between the Board and the Management, as well as between Board members. 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.

Mr Tan Soo Kiat has been appointed as the Lead Independent Director to our Board. 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 comprises two Independent Directors and one Non-Executive Director:

Dr Ong Seh Hong
(Chairman)

Mr Chia Hock Chye Michael
(Member)

Mr Tan Soo Kiat
(Member)

Process for Selection and Appointment of New Directors

The Nominating Committee 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 Nominating Committee will review and identify the desired competencies for a new appointment. Where there is a resignation or retirement of an existing director, the Nominating Committee 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 Nominating Committee 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 Nominating Committee 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 Nominating Committee will make recommendations on the appointment(s) to the Board for approval.

Our Nominating Committee is also responsible for:

(a) re-nomination of our Directors having regard to our Director's contribution and performance;
(b) determining annually whether or not a director is independent; and
(c) deciding whether or not a director is able to and has been adequately carrying out his duties as a director.

The Nominating Committee 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 Nominating Committee for assessing the effectiveness of the Board as a whole.

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

CORPORATE GOVERNANCE

Commitments of Directors Sitting on Multiple Boards

The Nominating Committee 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 Nominating Committee 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.

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.

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.

(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.

Our Remuneration Committee comprises two Independent Directors and one Non- Executive Director:

Dr Ong Seh Hong
(Chairman)
Mr Tan Soo Kiat
(Member)
Mr Chia Hock Chye Michael
(Member)

Our Remuneration Committee recommends to our Board a framework of remuneration for our Directors and key management personnel.

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

In addition, our Remuneration Committee 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.

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

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 the financial year ended 31 December 2016 is set out on page 25 of this Report.

CORPORATE GOVERNANCE

(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. Management keeps the Board regularly updated on the Group's business activities and financial performance by providing operations reports at the quarterly board meetings.

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 period, 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 noncompliance and recommendation for improvement were reported to the AC. The AC, with the participation of the Board, has reviewed the adequacy of the Group's 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 FY2016 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 two Independent Directors and a Non-Executive Director:

Mr Tan Soo Kiat
(Chairman)
Mr Chia Hock Chye Michael
(Member)
Dr Ong Seh Hong
(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:

(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, 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;

CORPORATE GOVERNANCE

(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;

(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.

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 PricewaterhouseCoopers 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, PricewaterhouseCoopers 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 2016 was approximately $313,100, of which audit fees amounted to approximately $217,000 and non-audit fees amounted to approximately $96,100.

The Board is of the view that in the interest of good corporate governance, it would be appropriate to periodically rotate Auditors. The Board believes that a change of Auditors may enable the Company to benefit from fresh perspectives of another professional audit firm and further enhance the value of the audit. As such, it would be timely to rotate and effect a change of Auditors for the audit of the Company's financial statements for the financial year ending 31 December 2017.

The AC had met with representatives of the one of the big four audit firms, Ernst & Young ("EY"). Following an evaluation of the audit firm and their proposal and in consultation with the Board, the Board has accepted the AC's recommendation for the appointment of EY, subject to the approval of the Shareholders at the AGM. PricewaterhouseCoopers LLP, the retiring external auditors, will accordingly not be seeking re-election at the forthcoming AGM.

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.

CORPORATE **GOVERNANCE**

Internal Audit

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

The Company outsources its internal audit function to 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.

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 results to shareholders within the mandatory period. The Company does not practice selective disclosure of material information. Briefings to present quarterly and full-year results are held for the media and analyst.

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 is to provide Shareholders and investors disclosures of relevant information which enables them to understand the business and performance of the Group better.

(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.

For greater transparency, the Company has implemented electronic poll voting in its 2016 AGM. 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.

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.

CORPORATE **GOVERNANCE**

The remuneration of Directors of the Company for the financial year ended 31 December 2016 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)	–	88%	7%	5%	100%
$250,000 to $500,000					
Lim Tjew Yok (1)	–	93%	7%	–	100%
Teo Boon Hwee	–	93%	7%	–	100%
Varghese John	–	93%	7%	–	100%
Below $250,000					
Tan Soo Kiat	100%	–	–	–	100%
Ong Seh Hong	100%	–	–	–	100%
Chia Hock Chye Michael	100%	–	–	–	100%
Wong Ngiam Jih (2)	–	–	–	–	–

The remuneration of the key executives of the Company for the financial year ended 31 December 2016 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	–	93%	7%	–	100%
Park Yong Kap	–	93%	7%	–	100%
Below $250,000					
Chin Woon Kwong Ian	–	93%	7%	–	100%
Chong Swee Lee	–	93%	7%	–	100%
Lee Poh Tong	–	93%	7%	–	100%
Ong Chee Tiong (3)	–	100%	–	–	100%
Han Judy (4)	–	100%	–	–	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 2016.

Notes:
1. Mr Lim Tze Jong and Mr Lim Tjew Yok are siblings.
2. Mr Wong Ngiam Jih, alternate director to Mr Chia Hock Chye Michael, resigned on 31 March 2017.
3. Mr Ong Chee Tiong resigned on 14 January 2016.
4. Ms Judy Han received consultancy fees via Palms JH Associates. The consultancy agreement expired on 17 August 2016.

CORPORATE **GOVERNANCE**

Attendance at Board and Committee Meetings during the financial year ended 31 December 2016

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	1	1	1	1
Varghese John	4	4	4	4	1	1	1	1
Lim Tjew Yok	4	4	4	4	1	1	1	1
Tan Soo Kiat	4	4	4	4	1	1	1	1
Dr Ong Seh Hong	4	4	4	4	1	1	1	1
Chia Hock Chye Michael	4	4	4	4	1	1	1	1

INVESTOR **RELATIONS**

Interaction with shareholders at our main yard

The Dyna-Mac Group believes in providing timely, clear, reliable and meaningful information to investors in order for them to make informed investment decisions.

PROACTIVE COMMUNICATIONS WITH THE FINANCIAL COMMUNITY

The Group is proactive in maintaining regular two-way communications with the investment community, comprising institutional investors, financial analysts, retail investors and media representatives. To address the constantly evolving requirements of disclosure, transparency and corporate governance, our corporate relations department aims to provide investors with an accurate, coherent and balanced account of the Group's performance.

Briefing at one of our workshop

INVESTOR **RELATIONS**

Announcement of Results & Dividends	2017*	2016
Full Year	1 March	25 February
Quarter 1	12 May	12 May
Quarter 2	11 August	5 August
Quarter 3	8 November	11 November
Final Dividend Payment	NA	NA
Delivery of Annual Report	13 April	6 April
Annual General Meeting	28 April	22 April

*Notes: Dates subject to change

6th Annual General Meeting held at our main yard

Shareholders' participation at our Annual General Meeting

The investment community was kept updated through multiple communication platforms, including regular meetings, site visits, conference calls, road shows and other investor communication engagements in 2016. These activities were held throughout the year to allow potential and existing investors to gain timely and deeper insights into the Group's operations and to make informed investment decisions.

SHAREHOLDER PARTICIPATION AT AGM

The Group's Annual General Meeting was held at our head office at 45 Gul Road on 22 April 2016. The head office location was chosen so as to allow the shareholders to have a short tour of our facilities in our main yard after the AGM. Buses were arranged to transport 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 21 MARCH 2017

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 21 March 2017, approximately 33.67% of the total number of issued shares of the Company is held by the public and therefore Rule 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 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.

TOP 21 SHAREHOLDERS

No.	Name	No. of Shares Held	%
1	Raffles Nominees (Pte) Ltd	424,256,900	41.46
2	KS Investments Pte Ltd	250,000,000	24.43
3	OCBC Securities Private Ltd	50,000,000	4.89
4	DBS Nominees Pte Ltd	16,911,700	1.65
5	Citibank Nominees Singapore Pte Ltd	15,937,395	1.56
6	DBSN Services Pte Ltd	11,512,500	1.13
7	UOB Kay Hian Pte Ltd	6,241,500	0.61
8	HL Bank Nominees (S) Pte Ltd	4,881,800	0.48
9	DBS Vickers Securities (Singapore) Pte Ltd	4,625,000	0.45
10	Sasikumaran Pillai S/O Manmathan Pillai	3,600,000	0.35
11	CIMB Securities (Singapore) Pte Ltd	3,340,518	0.33
12	OCBC Nominees Singapore Private Limited	3,335,900	0.33
13	United Overseas Bank Nominees Private Limited	3,236,500	0.32
14	Phillip Securities Pte Ltd	3,181,900	0.31
15	Maybank Nominees (S) Pte Ltd	2,705,600	0.26
16	Maybank Kim Eng Securities Pte Ltd	2,621,500	0.26
17	Lim & Tan Securities Pte Ltd	2,033,300	0.20
18	Habacus Pte Ltd	2,000,000	0.20
19	Khoo Chee Been	2,000,000	0.20
20	Lim Tjew Yok	2,000,000	0.20
21	Varghese John	2,000,000	0.20
		816,422,013	**79.82**

LOCATION OF SHAREHOLDERS

Country of Residence	No. of Shares	%	No. of Shareholders	%
Singapore	1,016,765,880	99.37	3,997	97.27
Malaysia	5,964,100	0.58	92	2.24
Australia/ New Zealand	169,000	0.02	3	0.07
Hong Kong	155,000	0.02	5	0.12
Others	124,020	0.01	10	0.24
US	30,000	0.00	1	0.02
UK	3,000	0.00	1	0.02
Total	**1,023,211,000**	**100.00**	**4,109**	**100.00**

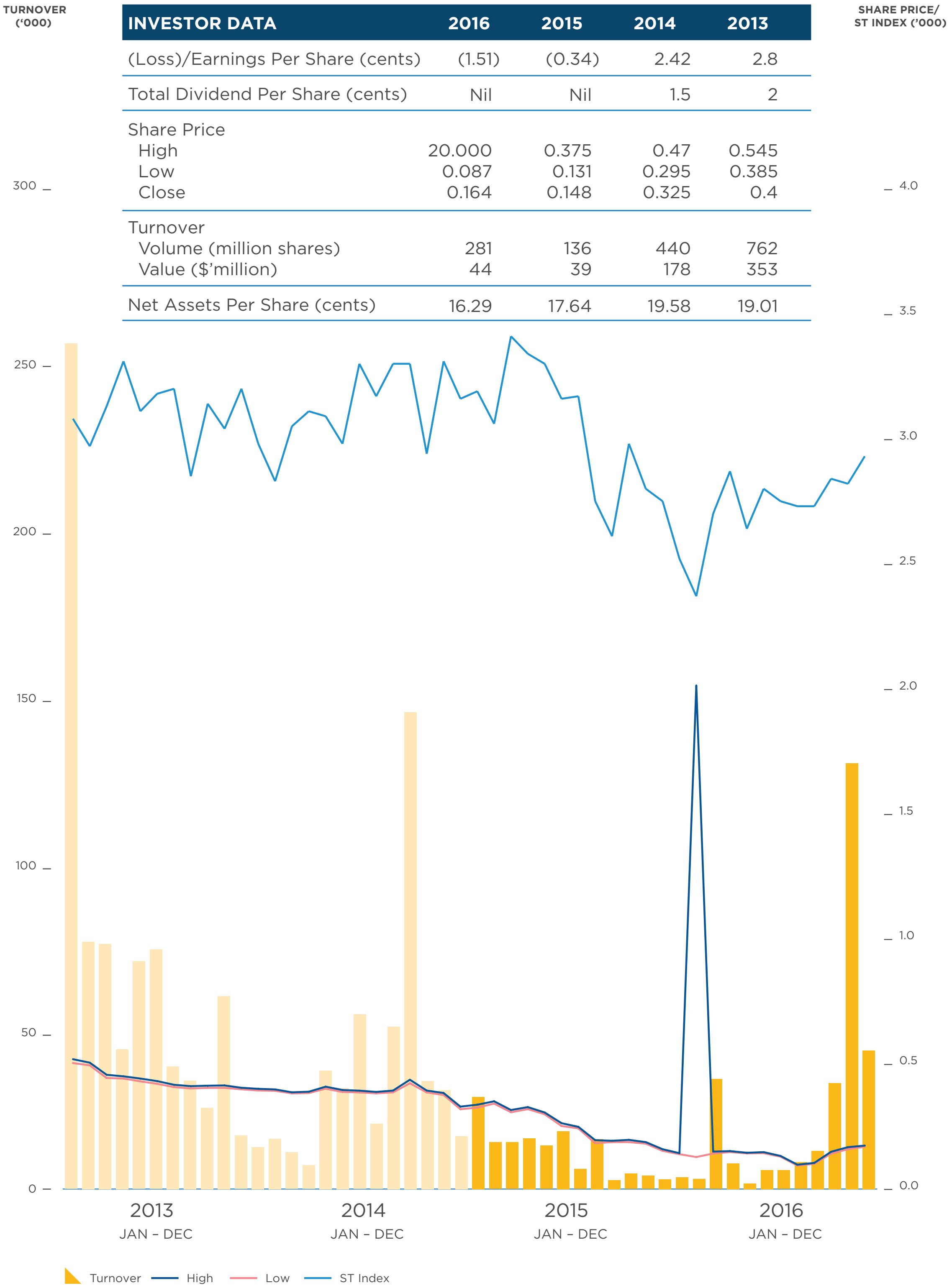
DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	8	0.19	114	0.00
100 – 1,000	115	2.80	97,954	0.01
1,001 – 10,000	1,415	34.44	10,431,942	1.02
10,001 – 1,000,000	2,535	61.69	173,699,277	16.98
1,000,001 and above	36	0.88	838,981,713	81.99
Total	**4,109**	**100.00**	**1,023,211,000**	**100.00**

SHAREHOLDERS' **INFORMATION**

SHARE PRICES AND MONTHLY VOLUME

INVESTOR DATA	2016	2015	2014	2013
(Loss)/Earnings Per Share (cents)	(1.51)	(0.34)	2.42	2.8
Total Dividend Per Share (cents)	Nil	Nil	1.5	2
Share Price				
High	20.000	0.375	0.47	0.545
Low	0.087	0.131	0.295	0.385
Close	0.164	0.148	0.325	0.4
Turnover				
Volume (million shares)	281	136	440	762
Value ($'million)	44	39	178	353
Net Assets Per Share (cents)	16.29	17.64	19.58	19.01



FINANCIAL REVIEW

Our piping workshop at West-Yard

REVENUE
$204.0 million

GROSS PROFIT
$41.8 million

PRE-TAX LOSS
$(14.9) million

NET LOSS
$(15.7) million

LOSS PER SHARE
(1.52) cents

LOSS ON EQUITY
(9.4)%

TOTAL DIVIDEND PER SHARE
nil

CASH AND BANK BALANCES
$69.5 million

NET ASSET VALUE PER SHARE
16.29 cents

FINANCIAL REVIEW

2016 Quarterly ($'000)	1Q	2Q	3Q	4Q	Total
Revenue	86,728	34,100	34,195	49,024	204,047
Gross Profit	8,442	14,353	11,216	7,824	41,835
(Loss)/Profit before tax	(6,066)	7,516	288	(16,660)	(14,922)
Net (Loss)/Profit	(6,068)	6,450	16	(16,063)	(15,665)
(Loss)/Earnings per share (cents)					
Year-to-Date	(0.50)	0.12	0.03	(1.52)	(1.52)
In-quarter	(0.50)	0.63	(0.09)	(1.54)	–

2015 Quarterly ($'000)	1Q	2Q	3Q	4Q	Total
Revenue	39,810	36,509	83,823	109,370	269,512
Gross Profit/(Loss)	14,583	(3,014)	12,414	25,781	49,674
Pre-tax (Loss)/Profit	2,214	(8,753)	217	4,512	(1,810)
Net (Loss)/Profit	1,587	(8,493)	1,732	(9)	(5,183)
(Loss)/Earnings per share (cents)					
Year-to-date	0.17	(0.35)	(0.30)	(0.34)	(0.34)
In-quarter	0.17	(0.52)	0.05	(0.03)	–

REVENUE

Group revenue decreased by $65.5 million or 24.3% from $269.5 million for the year ended 31 December 2015 ("FY2015") to $204.0 million for the year ended 31 December 2016 ("FY2016"). The decrease was mainly due to lower volume of projects carried out in FY2016.

GROSS PROFIT

Gross profit decreased by $7.9 millionor 15.8% from $49.7 million in FY2015 to $41.8 million in FY2016. The lower gross profit in FY2016 was due to lower volume of work which is in line with decrease in revenue.

NET LOSSES AFTER TAX

The Group has recognized losses after tax of S$15.7 million in FY2016 (FY2015: loss after tax of S$5.2 million). The losses are arrived at after taking up $11.3 million in write-off of certain long outstanding debts, $5.6 million of impairment of goodwill relating to the operations in China and $11.1 million of impairment of non-movable fixed assets due to the idle facility in the yard in Malaysia. Excluding these one-time write-off of $28.0 million, the Group would have registered a net profit of $12.3 million for FY2016.

FINANCIAL POSITION

The Group's total assets of $261.6 million as at 31 December 2016 was lower than that of $375.7 million as at 31 December 2015.

Group total liabilities stood at $94.9 million as at 31 December 2016, a reduction of $100.3 million from the previous year end of $195.2 million.

CASH FLOW AND LIQUIDITY

The Group has cash balances of $69.5 million and borrowings of $35.0 million as at 31 December 2016.

The Group generated positive cash flows from operations of $33.6 million and cash net of tax and interest of $31.4m.

Cash provided by investing activities of less than $0.1 million was mainly generated from disposal of interest in subsidiary and proceeds from disposal of property, plant & equipment, offset by the upgrades of hardware and software in computer system to further automate the Group's information system.

Cash used in financing activities of $48.5 million was mainly for the early repayment of our Medium Term Note Series 001 of $50.0m, offset by decrease in restricted cash of $3.2m.

FINANCIAL **REVIEW**

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
FOR THE PERIOD/YEAR					
Revenue	204,047	269,512	318,566	269,351	215,286
Gross profit	41,835	49,674	71,865	65,843	56,662
(Loss)/Profit before tax	(14,922)	(1,810)	29,499	35,583	33,333
Net (Loss)/Profit	(15,665)	(5,183)	26,241	30,650	28,380
Dividend – Final (cents)	Nil	Nil	1.5	2.0	2.0
GROUP BALANCE SHEET					
Currents assets	175,465	259,541	281,246	225,233	158,972
Non-current assets	86,153	116,167	122,893	126,284	106,056
Total assets	**261,618**	**375,708**	**404,139**	**351,517**	**265,028**
Current liabilities	93,697	144,123	152,113	154,638	75,457
Non-current liabilities	1,249	51,079	51,678	2,358	5,081
Total liabilities	**94,946**	**195,202**	**203,791**	**156,996**	**80,538**
Net assets	**166,672**	**180,506**	**200,348**	**194,521**	**184,490**
Share capital	145,271	145,271	145,271	145,271	145,271
Other reserves	710	109	(643)	(113)	117
Retained profits	18,471	32,824	51,625	47,324	39,102
Non-controlling interest	2,220	2,302	4,095	2,039	–
Total equity	**166,672**	**180,506**	**200,348**	**194,521**	**184,490**
PER SHARE					
(Loss)/Earnings per share – basic (cents)	(1.52)	(0.34)	2.42	2.80	3.00
(Loss)/Earnings per share – diluted (cents)	(1.52)	(0.34)	2.42	2.80	3.00
Net asset value (cents)	16.29	17.64	19.58	19.01	18.03
FINANCIAL RATIOS					
(Loss)/Return on equity (%)	(9.40)	(2.87)	13.10	15.76	15.38
(Loss)/Return on total assets (%)	(5.99)	(1.38)	6.49	8.72	10.71
Current ratio (times)	1.87	1.80	1.85	1.46	2.11
Net gearing (times)	0.21	–	0.12	–	–

CERTIFICATIONS

ABS QUALITY EVALUATIONS CERTIFICATE OF CONFORMANCE
ISO 9001:2008

45 Gul Road,
59 Gul Road and
13 Pandan Crescent
Tanjung Kupang Yard
in Malaysia

ABS QUALITY EVALUATIONS CERTIFICATE OF CONFORMANCE
OHSAS 18001:2007

Tanjung Kupang Yard
in Malaysia

ABS QUALITY EVALUATIONS CERTIFICATE OF CONFORMANCE
ISO/TS 29001:2010

45 Gul Road,
59 Gul Road and
13 Pandan Crescent

ABS QUALITY EVALUATIONS CERTIFICATE OF CONFORMANCE
OHSAS 18001:2007

45 Gul Road and
13 Pandan Crescent

OPERATIONS **REVIEW**

Group photograph prior to module load-out

Backed by extensive experience and unsurpassed expertise, Dyna-Mac offers diverse expertise and capabilities

The Group registered a 24.3 per cent decline in revenue from $269.5 million in 2015 to $204.0 million in 2016. A total of two new small size projects were awarded and four projects were completed and delivered to customers in 2016. Three projects were carried out in our yards in Singapore while one project was carried out in our yard in Malaysia. Our facility in our yard in Malaysia was under-utilized due to low volume of work secured from clients as international market is seeing very few new projects.

In 2016, a total of 28 topside modules, 18 pipe racks, one turret assembly unit, one flare tower and one skid were completed and delivered to owners.

These comprised five modules for FPSO Kraken, six modules for Block 15/06 East Hub Development, and 11 modules, two pipe racks, one turret assembly unit, one flare tower and one skid for FPSO Catcher. We also delivered six land modules the Zadco UZ 1M Enabler Project and 16 pipe racks for Singapore Jurong Cogen Project.

Assembly of GEO Stationery Turret in progress

The topside modules segment was the largest contributor, constituting 94.3 per cent or $192.3 million of our total revenue in 2016, with the balance of 5.7 per cent or $11.7 million from others comprising specialised onshore and offshore structures.

OPERATIONS **REVIEW**

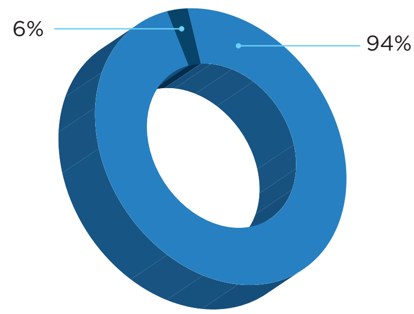
PROJECTS COMPLETED AND DELIVERED IN 2016

Comprising topside modules, piperacks, turret assembly unit, flare tower and skid. A total of 4 projects were completed and delivered to customers in 2016, as follows:

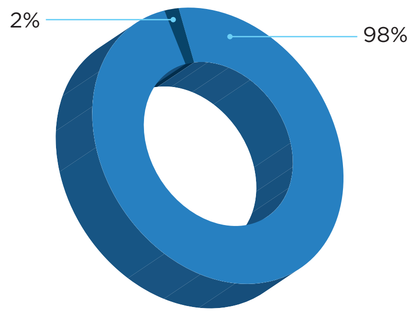
Types	No. of Units
FPSO TOPSIDE MODULES	
Block 15/06 East Hub Development	6
FPSO Kraken	5
Zadco UZ 1M Enabler	6
FPSO Catcher	11
PIPERACKS	
Singapore Jurong Cogen Project	16
FPSO Catcher – Pipe Racks	2
AD-HOC	
Geo Stationary Turret for Catcher	1
Flare Tower – Catcher	1
SKID	
Closed Drain Skid – FPSO Catcher	1

REVENUE CONTRIBUTIONS BY SEGMENTS:

FY2016



FY2015



Topside Modules
Others

Topside module being transported to the sea-front

OPERATIONS **REVIEW**

CONTRACTS SECURED

TOTAL CONTRACTS SECURED IN 2016

$12.6 million

2016	**13**
2015	161
2014	92
2013	316
2012	132

Load-out of Topside module

NET ORDER BOOK

TOTAL NET ORDER BOOK AS AT FEBRUARY 2017

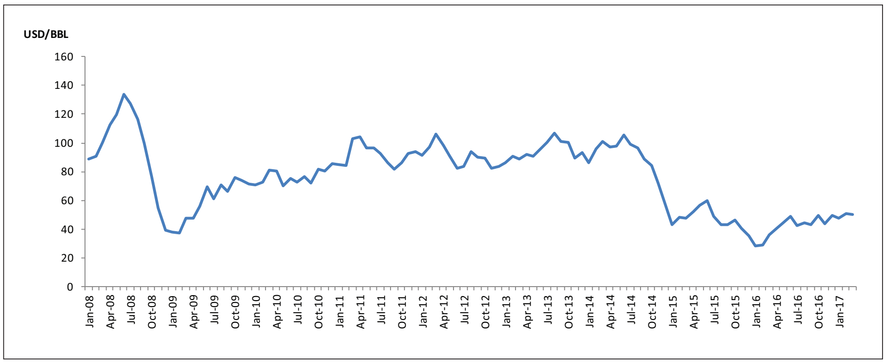
$12.8 million

	2013	2014	2015	2016
Q1	113	342	349	77
Q2	246	266	305	38
Q3	346	223	251	18
Q4	324	353	175	13

OPERATIONS **REVIEW**

MARKET OUTLOOK

The long-term fundamentals in the offshore oil and gas sector are expected to remain intact in spite of the current oil prices, reduced capital expenditure by oil and gas companies and macro-economic uncertainty affecting the global markets.



Topside module being transported to the sea-front

OPERATIONS **REVIEW**

Aerial view of our main yard.

GLOBAL **NETWORK**

DYNA-MAC GROUP HAS YARDS IN SINGAPORE AND MALAYSIA, WITH PARTNERSHIP PRESENCE IN PHILIPPINES, CHINA AND BRAZIL


MAIN YARD (GUL ROAD)


WEST YARD (PANDAN CRESCENT)


TANJUNG KUPANG, JOHOR

GLOBAL **NETWORK**

DMKP SUBIC YARD

BRAZIL YARD

HUMAN CAPITAL

Our employees attending training

Production operation in progress

The Dyna-Mac group strives to recruit and groom the best qualified people for the job. We engage, motivate and reward them with a competitive remuneration and benefits package and provide them with a systematic training and career development plan.

HUMAN RESOURCE APPROACH

As an equal opportunity employer, the Group recruits and rewards people according to merit. During the recruitment process, we evaluate prospective employees on their ability to perform their jobs, taking into consideration their qualifications, experience and aptitude for the positions to be filled and their legal work status.

The same principles of merit are applied when evaluating our existing employees for promotions, performance reviews, transfers, training programmes and all other internal personnel activities.

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.

HUMAN **CAPITAL**

EMPLOYEES PROFILE

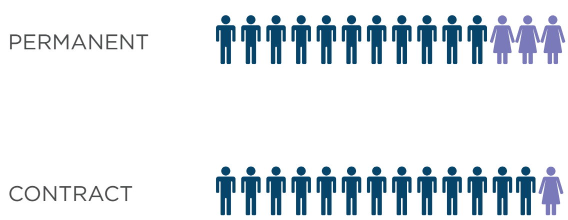
As at end 2016, the Dyna-Mac group's total manpower strength stood at 920. Of these, 89 per cent were males and 11 per cent were females. By functional type, production employees constituted 74 per cent of the workforce, with the remaining 23 per cent in management, engineering and support functions.

MANPOWER DISTRIBUTION BY EMPLOYMENT TYPE AND GENDER

MANPOWER DISTRIBUTION BY AGE GROUP AND GENDER

MANPOWER DISTRIBUTION BY EDUCATION PROFILE AND GENDER

MANPOWER DISTRIBUTION BY EMPLOYMENT CONTRACT AND GENDER



HUMAN CAPITAL

Year end appreciation lunch held at our main yard

EMPLOYEE WELFARE

The Group commemorates and celebrates festive occasions with its people. During Chinese New Year, Deepavali and Hari Raya Puasa, we presented 'ang pows' (red packets) to our employees. In our efforts to cut costs, we have combined our traditional annual Chinese New Year dinner with our year end appreciation lunch.

SAF DAY

The Group support and recognize the contributions made by NSmen to our society. Over the years, in addition to playing a crucial role in our country's defence, NSmen have also contributed to Singapore's economic success and prosperity.

Dyna-Mac was especially proud to participate in the rededication ceremony held on 1 July 2016. By doing so, it has given us a platform to not only express our support for the SAF and all NSmen, but also demonstrates our commitment towards being a good corporate citizen.

Plaques for Long service employees

Rededication Ceremony on SAF Day

HUMAN **CAPITAL**

Our Chairman and Executive CEO, Lim Tze Jong Desmond addressing the employees at the year-end appreciation lunch

EMPLOYEE ENGAGEMENT

This year, the Group held an appreciation lunch at its premises at the Main Yard at Gul Road instead of the traditional Dinner & Dance in an effort to cut costs to weather through the challenging business environment. Staff appreciation and recognition ceremony was held during the appreciation lunch. A total of 45 employees and workers received their long service awards ranging from 5 years of service to 15 years of service.

Year end appreciation lunch held at our main yard

WORKPLACE **SAFETY, HEALTH AND SECURITY**

Fire drill

To uphold safety at the workplace, the Group believes in constantly educating its people on the importance of health, safety and the environment (HSE). Throughout the year, our in-house safety department continued to conduct daily safety training courses for all employees in our yards in Singapore and Malaysia. The number of participants for such training is dependent on the project scope and requirements, project stages, project timeline as well as manpower requirements at any one time.

In 2016, a total of 7,435 employee participants attended training courses covering topics that included confined space, hot work, working at height, electrical, lifting, risk management, environmental, first aid, health and hygiene, emergency response as well as courses directly related to their work environment. The decrease in the total number of participants, as compared with 9,384 in 2015, was due to the completion and delivery of projects in our Singapore and Malaysia the previous year.

Fire drill

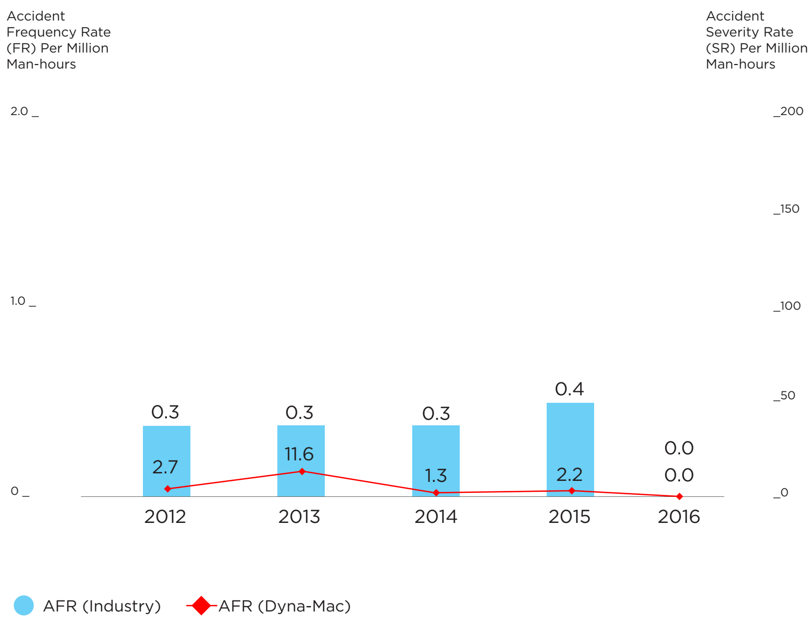
Fire drill

WORKPLACE
SAFETY, HEALTH AND SECURITY

Stakeholders who form part of our yards' ecosystem are also educated on the HSE policy. All new direct and contractor workers, including visitors and clients, are required to undergo the yards' in-house safety orientation training programmes, which are conducted every day.

In 2016, a total of 229 employees, 8,982 contractors and 777 visitors and customers underwent induction training across our yards in Singapore, Malaysia and China. In Singapore, the number of employees who underwent safety induction decreased from 464 in 2015 to 143 in 2016 due to the reassignment of employees formerly based in the China and Philippines yards to our headquarter yards after projects were completed and delivered in 2014 and early 2015. In our Singapore yard, visitors and clients undergoing induction training increased from 670 in 2015 to 699 in 2016. In our Malaysia yard, the number of contractors trained was 723, a increase from 286 contractors in 2015, attributable to project being fabricated in 2016.

DYNA-MAC SAFETY PERFORMANCE



SAFETY INDUCTION TRAINING

	Singapore Yards			Tanjung Kupang, Malaysia Yard			Nansha, Guangzhou China Yard			Philippines Yard			Total		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Employees	169	464	143	144	155	156	208	11	0	67	0	0	588	630	299
Contractors	7,021	7,185	8,259	3,037	286	723	1,892	294	0	332	0	0	12,282	7,765	8,982
Visitors/ Clients	338	670	699	42	92	78	257	0	0	0	0	0	637	762	777
Total	7,528	8,319	9,104	3,223	533	957	2,357	305	0	399	0	0	13,507	9,157	10,058

SAFETY INDUCTION TRAINING

	Singapore Yards			Tanjung Kupang Malaysia Yard			Nansha, Guangzhou, China Yard			Total		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
No. Attended	9,091	4,220	4,110	8,225	4,797	3,325	5,584	367	0	22,900	9,384	7,435
No. of Runs	485	271	229	566	231	206	289	15	0	1,340	517	435

ENVIRONMENTAL **PROTECTION**

Our safety team

At the heart of our business is a commitment to doing the right thing: behaving ethically, working safely, reducing our environmental impact, attracting and developing our people and contributing to our communities.

At the Dyna-Mac Group, we are committed to reducing our carbon footprint and nurturing a culture of environmental consciousness among our employees, our partners, our clients and the local communities. With an Environmental Management System in place, our yards are now working towards achieving ISO 14001 Environmental Management Standards. We also seek to develop technologies to reduce our environmental impact across the value chain and across all our yards in Singapore and Malaysia.

Dust collectors during blasting process

ENVIRONMENTAL **PROTECTION**

ENVIRONMENTAL MEASURES

Multiple definitive measures were included in our Safe Work Procedures to mitigate environmental issues. For example, during the blasting process, modules are covered with canvas and incorporated with dust collectors to minimise the impact to the environment and to allow for the controlled collection of dust.

Likewise, our diesel storage facility has a dip tray to collect any residue or leakage during the process of fuel transfer. We also maintain a water tank to collect rain water, which is then filtered and reused in the toilets of the main building.

Other types of bins can be found throughout the Group's premises to promote recycling. Staff are encouraged to segregate waste before throwing into the relevant bins. In the yard operation area, waste is divided into scrap and rubbish and entered into their respective colour-coded bins. Fogging is also conducted weekly in the yard premises

Modules covered with canvas during blasting process

Vacuum pump for dust & grit extraction during blasting

COMMUNITY **OUTREACH**

President's Challenge Singapore Formula 1 Charity Luncheon

Contributing to the well-being of the society is a cornerstone of our business strategy. In 2016, the Dyna-Mac Group continued the tradition of active community involvement through the sponsorship of a number of social and charitable activities.

Receiving a token of appreciation from our President, Mr Tony Tan

COMMUNITY **OUTREACH**

Run & Raisin Charity Run

HELPING THE NEEDY

Dyna-Mac Group supports fundraising activities to benefit the less privilege.

Activities participated during the year were:–

RHT Rajan Menon Foundation Charity Golf 2016 held on 27 May 2016 at Singapore Island Country Club. Organised by RHTlaw Taylor Wessing, all donations would go to ST-SPMF and WWF-Singapore.

Run & Raisin Charity Run held on 14 August 2016 at Silver Leaf, Gardens by the Bay. Organised by Touch Community Services, the annual fundraising event, a charity run and carnival would benefit and impact some 570 children who came from low-income and/or single-parent families.

President's Challenge ("PC") Singapore Formula 1 Charity Luncheon 2016 held on 16 September 2016 at the Istana. Organised by Chopard, all proceeds and donations will go to the PC's beneficiaries.

RHT Rajan Menon Foundation Charity Golf 2016

FINANCIAL **STATEMENTS**

Financial Statements

DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2016

The directors present their statement to the shareholders together with the audited financial statements of Dyna-Mac Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2016.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on page 63 to 113 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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 report are as follows:

Lim Tze Jong
Lim Tjew Yok
Varghese John
Tan Soo Kiat
Dr Ong Seh Hong
Chia Hock Chye Michael
Teo Boon Hwee (alternate to Lim Tze Jong)
Wong Ngiam Jih (alternate to Chia Hock Chye Michael, resigned on 31 March 2017)

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 object was 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 or debentures

(a) 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:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2016	At 01.01.2016	At 31.12.2016	At 01.01.2016
Company				
(No. of ordinary shares)				
Lim Tze Jong	417,776,000	417,776,000	–	–
Lim Tjew Yok	2,000,000	2,000,000	–	–
Varghese John	2,000,000	2,000,000	–	–
Teo Boon Hwee	1,500,000	1,500,000	–	–

DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2016

Directors' interests in shares or debentures (cont'd)

(a) 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: (continued)

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2016	At 01.01.2016	At 31.12.2016	At 01.01.2016
S$50,000,000 4.25% Notes due 2017 comprised in Series 001				
Lim Tze Jong	–	$8,500,000	–	–
Lim Tjew Yok	–	$500,000	–	–
Varghese John	–	$500,000	–	–
Teo Boon Hwee	–	$500,000	–	–

(b) Mr 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.

(c) The directors' interests in the ordinary shares of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

Share options

No options were granted during the financial year ended 31 December 2016 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.

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Tan Soo Kiat	(Chairman)
Chia Hock Chye Michael	(Member)
Dr Ong Seh Hong	(Member)

All members of the Audit Committee were non-executive directors. Except for Mr Chia Hock Chye Michael who is an Executive Director of a company related to a corporate shareholder of the Group, all members were independent.

DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2016

Audit Committee (cont'd)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. The main functions of the Audit Committee are as follows:

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

(b) To review the annual consolidated financial statements and the external auditor's report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, 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 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;

(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 Audit Committee, 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 Audit Committee;

(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;

DIRECTORS' **STATEMENT**

For the financial year ended 31 December 2016

Audit Committee (cont'd)

(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 internal 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 Audit Committee 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 Audit Committee 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 Audit Committee meets with the internal auditor regularly. The internal auditor can approach any of the members of the Audit Committee without the presence of the Company's Management.

The Audit Committee meets with the external auditors, without the presence of the Company's Management at least once annually. The Company confirms that it has complied with Rules 712 and 715 of the Listing Manual in engaging PricewaterhouseCoopers LLP, registered with the Accounting and Corporate Regulatory Authority, as the external auditors of the Company and of its Singapore incorporated subsidiaries. The Audit Committee reviews the independence of the external auditors annually. The Audit Committee, having reviewed the range and value of non-audit services performed by the external auditors, PricewaterhouseCoopers 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 2016 was approximately S$313,100 of which audit fees amounted to approximately S$217,000 and non-audit fees amounted to approximately S$96,100.

The Audit Committee is of the view that in the interest of good corporate governance, it would be appropriate to periodically rotate the independent auditors. In view of this, the Audit Committee has recommended to the Board of Directors that the independent auditor, Ernst & Young LLP, be nominated for appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The retiring auditor, PricewaterhouseCoopers LLP, will not be seeking re-appointment. The independent auditor, Ernst & Young LLP, has expressed its willingness to accept appointment.

On behalf of the directors

Lim Tze Jong Director	Varghese John Director

Singapore, 31 March 2017

INDEPENDENT **AUDITOR'S REPORT**

To the members of Dyna-Mac Holdings Ltd.

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Dyna-Mac Holdings Ltd. ("the Company") and its subsidiaries ("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 Financial Reporting Standards in Singapore ("FRSs") 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 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of S$15,665,000 during the year ended 31 December 2016 and has a net order book of S$12,800,000 as at that date. As stated in Note 2, the low order books and the uncertainty over the availability and timing of award of new contracts indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to generate sufficient operating cash flows and continue as a going concern.

Should the Group be unable to continue as a going concern, adjustments will have to be made to the financial statements to reflect the situation. The accompanying financial statements do not include the adjustments that would result if the Group is unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

INDEPENDENT **AUDITOR'S REPORT**

To the members of Dyna-Mac Holdings Ltd.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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 for the financial year ended 31 December 2016. 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Description of key audit matter	***How our audit addressed the key audit matter***
Property, plant and equipment *(Refer to Note 3 and 19 to the financial statements)* The carrying value of the Group's property, plant and equipment amounted to S$72,146,000 at 31 December 2016. The downturn in the oil and gas industry has impacted the Group's operations and management has determined this to be an indicator that the Group's property, plant and equipment may be impaired. Management had performed an impairment test to assess the recoverable amount of the Group's property, plant and equipment, which is the higher of fair value less costs to sell and value in use. As a result of the assessment, the Group recognised an impairment charge of S$11,128,000 on its property, plant and equipment. We focused on this area due to significant judgement required by management in respect of the estimated resale values, provided by independent parties to the Group.	We obtained management's impairment assessment which included their assumptions on the recoverable amount of the property, plant and equipment, based on fair value less costs to sell, and evaluated the reasonableness of the inputs and assumptions considering our knowledge of the business and our understanding of the industry. We assessed the methodologies used by the independent party to estimate resale values of the property, plant and equipment by verifying the fair value less costs to sell to vendor quotations in the second-hand market. We also considered the adequacy of the Group's disclosures in relation to impairment of the property, plant and equipment. Based on our procedures, we found management's assessment to be appropriate. We also found the disclosures in the financial statements in respect of the valuation of property, plant and equipment to be adequate.

INDEPENDENT **AUDITOR'S REPORT**

To the members of Dyna-Mac Holdings Ltd.

Goodwill *(Refer to Note 3 and 21 to the financial statements)* The Group's annual test for impairment of the goodwill which arose from its acquisition of a subsidiary, DMP Marine Fabricator (Nansha) Co. Ltd. ("DMP"), of S$5,556,000, resulted in the recognition of the entire amount as impairment loss on goodwill during the year. In determining the cash flow projections, management was required to make assumptions about the key inputs including future revenues, gross margins and the long-term growth rate in China, which is the market in which the CGU is based. We focused on this area as the test for impairment involved the assessment of the recoverable amount of DMP, which was identified as a cash-generating unit ("CGU"), using the value-in-use ("VIU") model that required management to exercise significant judgement over the cash flow projections and discount rates of the CGU.	We obtained management's VIU calculations and evaluated the reasonableness of the inputs and assumptions considering our knowledge of the business and our understanding of the industry, and by comparing with the historic performance of the CGU and the growth expectation from external parties for the market in which the CGU operates. Based on our procedures, we found management's assumptions in the assessment of the recoverable amount of the CGU to be appropriate. We also found the disclosures in the financial statements in respect of the assessment of impairment of goodwill to be adequate.
Construction contracts *(Refer to Note 2.8, 4 and 15 to the financial statements)* The Group's revenue and cost of sales for the year represents contract revenue and contract costs based on the percentage-of-completion ("POC") method. We focused on this area because of the significant judgement required in: • the estimation of total contract costs to completion which would impact the contract margin recognised; and • ascertaining whether circumstances exist where total contract costs exceed total contract revenues which would result in the expected loss being recognised as an expense immediately.	Our audit procedures included an examination of contract documentation, and discussions on the status of contracts where construction is in progress with senior management of the Group. We tested the key controls the Group designed and implemented over its process to record contract costs and contract revenues and the calculation of the stage of completion. We tested the effectiveness of management's controls over the estimation of total costs and assessed the reasonableness of key inputs in the cost estimation. We tested the appropriateness of estimated costs by comparing these against actual costs incurred.

INDEPENDENT **AUDITOR'S REPORT**

To the members of Dyna-Mac Holdings Ltd.

	We also tested management's analysis of the contracts, where management compared the total estimated contract costs until completion against the latest contract revenue agreed upon with the customer to determine if there were any contracts for which total costs exceed total revenues. We then recomputed the revenue and expenses recognised for the current financial year based on the respective contract POC. Based on our procedures, we found the assumptions made in this area to be reasonable. We also found the disclosures in the financial statements to be adequate.

Other Information

Management is responsible for the other information. The other information comprises all the sections of 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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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 FRSs, 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.

INDEPENDENT **AUDITOR'S REPORT**

To the members of Dyna-Mac Holdings Ltd.

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.
- 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.

INDEPENDENT **AUDITOR'S REPORT**

To the members of Dyna-Mac Holdings Ltd.

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 Lee Chian Yorn.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 31 March 2017

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2016

	Notes	Group 2016 $'000	Group 2015 $'000
Revenue	4	**204,047**	269,512
Cost of sales	5	**(162,212)**	(219,838)
Gross profit		**41,835**	49,674
Other gains and losses	7	**(12,127)**	(3,948)
Expenses			
– Administrative	5	**(41,641)**	(44,122)
– Finance	8	**(2,989)**	(3,414)
Loss before income tax		**(14,922)**	(1,810)
Income tax expense	9(a)	**(743)**	(3,373)
Net loss		**(15,665)**	(5,183)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
– Fair value gains	27(b)	**–**	678
– Reclassification	27(b)	**624**	(1,302)
Currency translation differences arising from consolidation	27(b)	**(293)**	680
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gains	27(b)	**–**	633
Total comprehensive loss, net of tax		**(15,334)**	(4,494)
Loss attributable to:			
Equity holders of the Company		**(15,522)**	(3,453)
Non-controlling interest		**(143)**	(1,730)
		(15,665)	(5,183)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(15,121)**	(2,701)
Non-controlling interest		**(213)**	(1,793)
		(15,334)	(4,494)
Loss per share attributable to equity holders of the Company (SGD cents per share)			
– Basic/diluted	28	**(1.52)**	(0.34)

The accompanying notes form an integral part of these financial statements.

Performance At A Glance
Corporate Governance and Transparency
Year in Review
Sustainable Growth
Financial Report

BALANCE **SHEETS**

As at 31 December 2016

	Notes	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Current assets					
Cash and bank balances	10	**69,535**	85,211	**397**	548
Restricted cash at bank	11	**–**	1,071	**–**	1,071
Trade and other receivables	12	**97,648**	161,654	**110,479**	109,785
Inventories	14	**3,713**	9,147	**–**	–
Construction contract work-in-progress	15	**–**	459	**–**	–
Other current assets	16	**4,569**	1,999	**7**	18
		175,465	259,541	**110,883**	111,422
Non-current assets					
Restricted cash at bank	11	**–**	2,143	**–**	2,143
Club memberships		**407**	407	**–**	–
Investments in subsidiaries	17	**–**	–	**31,605**	31,605
Loan to a subsidiary	18	**–**	–	**–**	50,000
Property, plant and equipment	19	**72,146**	94,461	**–**	–
Investment properties	20	**13,600**	13,600	**–**	–
Goodwill	21	**–**	5,556	**–**	–
		86,153	116,167	**31,605**	83,748
Total assets		**261,618**	375,708	**142,488**	195,170
LIABILITIES					
Current liabilities					
Current income tax liabilities	9(b)	**1,300**	2,802	**–**	–
Derivative financial instruments	13	**–**	1,924	**–**	–
Trade and other payables	23	**57,355**	105,166	**144**	1,492
Borrowings	24	**35,042**	34,231	**–**	–
		93,697	144,123	**144**	1,492
Non-current liabilities					
Borrowings	24	**96**	49,671	**–**	49,532
Deferred income tax liabilities	22	**1,153**	1,408	**–**	–
		1,249	51,079	**–**	49,532
Total liabilities		**94,946**	195,202	**144**	51,024
NET ASSETS		**166,672**	180,506	**142,344**	144,146
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	**145,271**	145,271	**145,271**	145,271
Other reserves	27	**710**	109	**–**	–
Retained profits/(Accumulated losses)		**18,471**	32,824	**(2,927)**	(1,125)
		164,452	178,204	**142,344**	144,146
Non-controlling interest		**2,220**	2,302	**–**	–
Total equity		**166,672**	180,506	**142,344**	144,146

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2016

	Note	Share capital $'000	Retained profits $'000	Other reserves* $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
		Attributable to equity holders of the Company					
2016							
Beginning of financial year		**145,271**	**32,824**	**109**	**178,204**	**2,302**	**180,506**
Transaction with owners, recognised directly in equity		**-**	**1,169**	**200**	**1,369**	**131**	**1,500**
Total comprehensive (loss)/income for the year		**-**	**(15,522)**	**401**	**(15,121)**	**(213)**	**(15,334)**
End of financial year		**145,271**	**18,471**	**710**	**164,452**	**2,220**	**166,672**
2015							
Beginning of financial year		145,271	51,625	(643)	196,253	4,095	200,348
Dividend relating to the financial year ended 31 December 2014 paid	29	-	(15,348)	-	(15,348)	-	(15,348)
Total comprehensive (loss)/income for the year		-	(3,453)	752	(2,701)	(1,793)	(4,494)
End of financial year		145,271	32,824	109	178,204	2,302	180,506

* Other reserves are non-distributable.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the financial year ended 31 December 2016

	Notes	Group 2016 $'000	Group 2015 $'000
Cash flows from operating activities			
Net loss		**(15,665)**	(5,183)
Adjustments for:			
– Income tax expense	9(a)	**743**	3,373
– Depreciation of property, plant and equipment	19	**12,801**	13,684
– Loss/(Gain) on disposal of property, plant and equipment	7	**16**	(80)
– Impairment of property, plant and equipment	7	**11,128**	–
– Interest income	7	**(370)**	(118)
– Finance expenses	8	**2,989**	3,414
– Fair value gains on derivative financial instruments	7	**(1,300)**	(2,802)
– Unrealised currency translation (gains)/losses		**(1,855)**	2,552
– Write off of property, plant and equipment	7	**–**	273
– Allowance for doubtful debts	5	**–**	2,255
– Bad debts written off	5	**11,312**	5,565
– Loss from misappropriation of funds	7	**832**	–
– Impairment of goodwill	7	**5,556**	–
		26,187	22,933
Changes in working capital:			
– Trade and other receivables		**52,694**	45,402
– Construction contract work-in-progress		**459**	6,976
– Inventories		**5,434**	5,147
– Other current assets		**(2,570)**	487
– Trade and other payables		**(48,644)**	(21,302)
Cash generated from operations		**33,560**	59,643
Interest received		**370**	118
Income tax paid	9(b)	**(2,500)**	(5,239)
Net cash provided by operating activities		**31,430**	54,522
Cash flows from investing activities			
– Additions to property, plant and equipment		**(1,593)**	(8,341)
– Proceeds from disposal of property, plant and equipment		**138**	860
– Disposal of interest in subsidiary		**1,500**	–
– Decrease in bank deposits with maturity more than 3 months		**–**	26,276
Net cash provided by investing activities		**45**	18,795
Cash flows from financing activities			
– Proceeds from borrowings		**809**	16,913
– Repayments of medium term note		**(49,995)**	–
– Repayment of finance lease liabilities		**(41)**	(234)
– Interest expense paid		**(2,527)**	(1,927)
– Dividends paid to equity holders of the Company	29	**–**	(15,348)
– Restricted cash		**3,214**	(3,214)
Net cash used in financing activities		**(48,540)**	(3,810)
Net (decrease)/increase in cash and cash equivalents		**(17,065)**	69,507
Cash and cash equivalents			
Beginning of financial year		**85,211**	15,879
Effects of currency translation on cash and cash equivalents		**1,389**	(175)
End of financial year	10	**69,535**	85,211

The accompanying notes form an integral part of these financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

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 address of its 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 36 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Going concern assumption

The Group has recognised a net loss of S$15,665,000 for the year ended 31 December 2016 (2015: loss of S$5,183,000). The loss was determined after recording S$11,312,000 in write-off of certain long outstanding debts, S$5,556,000 of impairment of goodwill relating to the operations in China and S$11,128,000 of impairment of property, plant and equipment.

The downturn 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. Management has observed that the contracts available for tender relevant to the Group, are of lower award value and with lower margins as compared with previous years. At 31 December 2016, the Group has a net order book of S$12,800,000 (2015: S$175,300,000). The low order books and the uncertainty over the availability and timing of award of new contracts indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to generate sufficient operating cash flows and continue as a going concern.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

2.1 **Basis of preparation** (Cont'd)

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

1. Net current assets

   The Group has net current assets amounting to S$81,768,000, which include cash and bank balances of S$69,535,000 as at 31 December 2016.

2. Potential new orders

   Management expects to secure new contracts at profitable margins with reputable customers. Management also intends to source for and negotiate new contracts, in both the offshore segment of the oil and gas industry, as well as onshore works which require the Group's area of expertise in detailed engineering, fabrication and construction.

3. Availability of credit facilities

   At 31 December 2016, the Group has no other secured borrowing other than its borrowings disclosed in Note 24 and unutilised credit facilities of S$20,000,000 from financial institutions available should the need arise. Furthermore, the Group's investment properties and 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 needed. 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 from financial institutions, as well as from Singapore government agencies following the recently announced budget initiatives.

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.

Should the Group be unable to continue as a going concern, adjustments will have to be made to the financial statements to reflect the situation. The accompanying financial statements do not include the adjustments that would result if the Group is unable to continue as a going concern.

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating revenue within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Construction contracts revenue

Revenue from construction contracts is recognised on the percentage of completion method. Further details can be found in Note 2.8.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) 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.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

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.

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, statement of changes in equity and 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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

2.3 **Group accounting** (Cont'd)

(a) Subsidiaries (Cont'd)

(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. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

(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

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. 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 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

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.

(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	19 – 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

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(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 within "Other gains and losses".

2.5 Investment properties

Investment properties include those portions of buildings that are held for long-term rental yields and/or for capital appreciation or for a currently indeterminate use.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined at each financial reporting date by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss. The carrying amount of investment properties at the balance sheet date is disclosed in Note 20.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Intangible assets

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of 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.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method 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.

2.8 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the completion of the physical proportion of the contract work. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

2.8 **Construction contracts** (Cont'd)

At the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "Trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "Trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "Trade and other receivables". Advances received from customers are accounted for as deferred revenue, and included within "Trade and other payables".

2.9 **Investments in subsidiaries**

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.

2.10 **Impairment of non-financial assets**

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Property, plant and equipment
Investments in subsidiaries

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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Impairment of non-financial assets (Cont'd)

(b) Property, plant and equipment
Investments in subsidiaries (Cont'd)

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 assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 12), "Cash and bank balances" (Note 10) and "Restricted cash at bank" (Note 11) on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (Cont'd)

(b) Recognition and derecognition

Financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.12 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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.16 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as cash flow hedge.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Derivative financial instruments and hedging activities (Cont'd)

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged items is less than 12 months.

The Group has entered into currency forwards that qualify as cash flow hedges against highly probably forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and transferred to either the cost of a hedged non-monetary asset upon acquisition or profit or loss when the hedged forecast transactions are recognised.

The fair value changes on the ineffective portion on currency forwards are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains or losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

2.17 Leases

(a) When the Group is the 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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

2.17 **Leases** (Cont'd)

(a) When the Group is the lessee: (Cont'd)

(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) When the Group is the 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.

2.18 **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 variable selling expenses.

2.19 **Income taxes**

Current income tax for current and prior periods is recognised 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 by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Income taxes (Cont'd)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) At the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) Based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.20 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.

2.21 Employee compensation

Employee benefits are recognised as an expense, 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.

2.22 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. **SIGNIFICANT ACCOUNTING POLICIES** (CONT'D)

2.22 **Currency translation** (Cont'd)

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "Finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other gains and losses".

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.23 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Cash and bank balances

For the purpose of presentation in the consolidated statement of cash flows, cash and bank balances include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.26 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payment.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the percentage of the physical proportion of the contract work completed as determined by engineers' estimates.

Significant judgement is required in determining the stage of completion, the extent of total contract costs incurred, the estimated total contract costs as well as the recoverability of the contract and variation works. In making these estimates, management evaluates by relying on past experiences. The carrying amount of construction contract work-in-progress at the balance sheet date is disclosed in Note 15.

Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of goodwill, and where applicable, a cash-generating unit ("CGU"), is determined based on the higher of fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

When value-in-use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by management covering a specified period. Cash flows beyond the specified period are forecasted after considering factors like general market conditions, macroeconomic cycle, industry-specific and other relevant information. Details of the key assumptions applied in the impairment assessment of goodwill arising on consolidation are given in Note 21.

The Group has recognised an impairment charge on its goodwill of $5,556,000 during the financial year which resulted in the carrying amount of goodwill as at 31 December 2016 being fully impaired.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

Impairment of goodwill (Cont'd)

All impairment calculations demand a high degree of estimation, which include assessments of the expected cash flows arising from such assets and the selection of discount rates. Changes to these estimates may significantly impact the impairment charges recognised.

Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amount of an asset, and where applicable, a cash-generating unit, is determined based on the higher of fair value less costs to sell and value-in-use calculation prepared on the basis of management's assumptions and estimates.

All impairment calculation demand a high degree of estimation, which include assessments of the expected cash flow arising from such assets and the selection of discount rates. Changes to these estimates may significantly impact the impairment charges recognised.

4. REVENUE

	Group	
	2016	**2015**
	$'000	**$'000**
Module business	**192,338**	263,205
Ad-hoc projects	**11,709**	6,307
Total revenue	**204,047**	269,512

5. EXPENSES BY NATURE

	Group	
	2016	**2015**
	$'000	**$'000**
Sub-contractors charges	**86,631**	106,946
Materials	**33,340**	65,182
Direct overheads	**35,042**	40,854
Rental of sites	**7,199**	6,856
Employee compensation (Note 6)	**18,282**	22,595
Depreciation of property, plant and equipment	**3,167**	3,507
Transportation and travelling	**797**	1,920
Legal and professional fees	**1,592**	1,228
Entertainment and refreshment	**149**	156
Property tax	**1,102**	1,110
Insurance	**1,061**	955
Advertising and marketing expenses	**593**	779
Allowance for doubtful debts	**–**	2,255
Bad debts written off	**11,312**	5,565
Other expenses	**3,586**	4,052
Total cost of sales and administrative expenses	**203,853**	263,960

Included in the direct overheads is depreciation of property, plant and equipment directly used in the projects amounting to $9,634,000 (2015: $10,177,000).

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

6. EMPLOYEE COMPENSATION

	Group	
	2016	**2015**
	$'000	**$'000**
Wages and salaries	**15,119**	18,719
Employer's contribution to defined contribution plans	**2,062**	1,436
Other short-term benefits	**1,101**	2,440
	18,282	22,595

7. OTHER GAINS AND LOSSES

	Group	
	2016	**2015**
	$'000	**$'000**
Other income:		
Interest income – bank deposits	**370**	118
Rental income		
– Warehouse, office and container	**115**	520
Government grant	**393**	148
Others	**961**	500
	1,839	1,286
Other gains and losses:		
(Loss)/Gain on disposal of property, plant and equipment	**(16)**	80
Write off of property, plant and equipment	**–**	(273)
Impairment of goodwill (Note 21)	**(5,556)**	–
Impairment of property, plant and equipment (Note 19)	**(11,128)**	–
Loss from misappropriation of funds	**(832)**	–
Fair value gains on derivative financial instruments	**1,300**	2,802
Foreign exchange gains/(losses), net	**2,266**	(7,843)
	(13,966)	(5,234)
Total other gains and (losses)	**12,127**	(3,948)

8. FINANCE EXPENSES

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expense		
– Bank borrowings and unsecured unquoted fixed rate notes	**2,519**	3,103
– Deferred finance charges amortisation	**463**	295
– Finance lease liabilities	**7**	16
	2,989	3,414

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

9. INCOME TAXES

(a) Income tax expense

	Group	
	2016	**2015**
	$'000	**$'000**
Tax expense attributable to loss is made up of:		
– Current income tax	**1,309**	2,771
– Deferred income tax (Note 22)	**(255)**	641
	1,054	3,412
Over provision in prior financial years:		
– Current income tax	**(311)**	(39)
	743	3,373

The tax expense on the Group's loss before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Loss before income tax	**(14,922)**	(1,810)
Tax calculated at rate of 17% (2015: 17%)	**(2,537)**	(308)
Effects of		
– Different tax rates in other countries	**(815)**	(205)
– Expenses not deductible for tax purposes	**2,154**	1,100
– Income not subject to tax	**(268)**	(806)
– Tax incentives	**(190)**	(642)
– Partial tax exemption	**(26)**	(29)
– Unrecognised deferred tax benefits	**2,736**	4,302
Tax charge	**1,054**	3,412

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

(b) Movements in current income tax liabilities

	Group	
	2016	**2015**
	$'000	**$'000**
Beginning of financial year	**2,802**	5,317
Currency translation difference	*	(8)
Income tax paid	**(2,500)**	(5,239)
Over provision in prior financial year	**(311)**	(39)
Tax expense	**1,309**	2,771
End of financial year	**1,300**	2,802

* Less than $1,000.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

10. CASH AND BANK BALANCES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and on hand	**5,887**	85,211	**397**	548
Short-term bank deposits	**63,648**	–	**–**	–
	69,535	85,211	**397**	548

11. RESTRICTED CASH AT BANK

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Current	**–**	1,071	**–**	1,071
Non-current	**–**	2,143	**–**	2,143
	–	3,214	**–**	3,214

As disclosed in Note 24, the Group has in place a multi-currency Medium Term Note Programme (MTN). The above refers to amounts deposited with the Trustee Bank to fund three fixed interest payments on the outstanding borrowings pursuant to the completion of the Consent Solicitation Exercise on 30 December 2015, which are not freely remissible for use by the Group. The interest payments were due in July 2016, January 2017 and July 2017. However, the MTN was fully repaid as at 31 December 2016.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
– Non-related parties	**42,866**	77,571	**–**	–
– Related parties	**1,147**	288	**–**	–
	44,013	77,859		
Less: Allowance for doubtful debts	**(2,255)**	(2,255)	**–**	–
Trade receivables – net	**41,758**	75,604	**–**	–
Construction contracts				
– Due from customers (Note 15)	**52,046**	85,279	**–**	–
Advances to subsidiaries	**–**	–	**110,479**	109,785
Staff loans	**126**	111	**–**	–
Other receivables	**3,718**	660	**–**	–
	97,648	161,654	**110,479**	109,785

Related parties refer to companies controlled by a corporate shareholder.

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

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	Contract notional amount $'000	Fair value liability $'000
2016		
Cash flow hedges		
– Currency forwards	–	–
2015		
Non-hedging instruments		
– Currency forwards	68,923	1,924

Period when the cash flows on cash flow hedges are expected to occur or affect profit or loss

Currency forwards are transacted to hedge highly probable forecast transactions denominated in foreign currency expected to occur at various dates within twelve months from the balance sheet date. The currency forwards have maturity dates that coincide with the expected occurrence of these transactions. Gains or losses recognised in other comprehensive income prior to the occurrence of these transactions are reclassified to profit or loss in the period during which the hedged forecast transaction affects profit or loss.

14. INVENTORIES

	Group	
	2016 $'000	2015 $'000
Steel and consumables	**3,713**	9,147

The cost of inventories recognised as an expense and included in "Cost of sales" amounts to $6,867,600 (2015: $6,703,200).

15. CONSTRUCTION CONTRACT WORK-IN-PROGRESS

	Group	
	2016 $'000	2015 $'000
Construction contract work-in-progress:		
Beginning of financial year	**459**	7,435
Contract costs incurred	**161,753**	212,862
Contract expenses recognised in profit or loss	**(162,212)**	(219,838)
End of financial year	**–**	459
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**204,047**	266,958
Less: Progress billings	**(152,001)**	(181,679)
	52,046	85,279
Presented as:		
Due from customers on construction contracts (Note 12)	**52,046**	85,279
Advances received on construction contracts (Note 23)	**–**	4,765

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16. OTHER CURRENT ASSETS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Deposits	**4,149**	1,537	**–**	–
Prepayments	**420**	462	**7**	18
	4,569	1,999	**7**	18

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	**$'000**
Equity investments at cost		
Beginning and end of financial year	**31,605**	31,605

Details of the Group's subsidiaries are included in Note 36.

Transactions with non-controlling interests

Disposal of interest in a subsidiary without loss of control

In the previous financial years, the Group is deemed to have all the risks and rewards of the ownership of its subsidiary, DMP Marine Fabricator (Nansha) Co. Ltd ("DMP"), arising from the acquisition in 2012, as there were call and put options entered into by the Group and sellers of DMP. Accordingly, the Group had recognised a consideration payable of $1,500,000 for the remaining 30% equity interest in DMP since 31 December 2012.

During the year, those call and put options expired without being exercised. The liability arising from the consideration payable was thus extinguished, and the non-controlling interest's share of net assets was re-allocated. This was accounted for as "Transactions with owners, recognised directly in equity", and summarised as follows:

	2016
	$'000
Group	
Extinguishment of consideration payable	**1,500**
Carrying amount of non-controlling interests disposed of	**(131)**
Excess recognised in parent's equity	**1,369**

18. LOAN TO A SUBSIDIARY

	Company	
	2016	**2015**
	$'000	**$'000**
Loan to a subsidiary	**–**	50,000

The loan to a subsidiary by the Company is unsecured, interest-bearing at 4.25% per annum payable semi-annually, and was fully repaid during the financial year.

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19. 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								
2016								
Cost								
Beginning of financial year	15,222	5,993	4,639	94,515	33,744	2,499	2,793	159,405
Currency translation differences	-	(6)	(8)	(302)	(76)	(4)	(4)	(400)
Additions	22	126	39	68	171	300	867	1,593
Disposals	-	-	-	-	-	(320)	-	(320)
Write off	-	-	-	(14)	(99)	-	-	(113)
Transfer	-	-	1,766	672	4	-	(2,442)	-
End of financial year	15,244	6,113	6,436	94,939	33,744	2,475	1,214	160,165
Accumulated depreciation								
Beginning of financial year	3,543	3,505	3,644	27,126	25,642	1,484	-	64,944
Currency translation differences	-	(5)	(7)	(110)	(39)	(3)	-	(164)
Charge for the financial year	989	596	1,148	7,230	2,432	406	-	12,801
Disposals	-	-	-	-	-	(166)	-	(166)
Write off	-	-	-	(14)	(99)	-	-	(113)
End of financial year	4,532	4,096	4,785	34,232	27,936	1,721	-	77,302
Accumulated Impairment								
Currency translation differences	-	-	-	(411)	-	-	-	(411)
Impairment charge (Note 7)	-	-	-	11,128	-	-	-	11,128
End of financial year	-	-	-	10,717	-	-	-	10,717
Net book value								
End of financial year	10,712	2,017	1,651	49,990	5,808	754	1,214	72,146

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For the financial year ended 31 December 2016

19. 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								
2015								
Cost								
Beginning of financial year	29,135	5,769	4,361	98,788	33,578	3,206	–	174,837
Currency translation differences	–	(15)	20	(970)	372	22	–	(571)
Additions	87	516	650	3,720	575	–	2,793	8,341
Disposals	–	(264)	(222)	(1,430)	(677)	(729)	–	(3,322)
Write off	–	(13)	(170)	(5,593)	(104)	–	–	(5,880)
Revaluation gain	633	–	–	–	–	–	–	633
Revaluation adjustments	(1,033)	–	–	–	–	–	–	(1,033)
Transfer to investment properties (Note 20)	(13,600)	–	–	–	–	–	–	(13,600)
End of financial year	15,222	5,993	4,639	94,515	33,744	2,499	2,793	159,405
Accumulated depreciation								
Beginning of financial year	3,458	3,057	3,060	25,443	23,056	1,233	–	59,307
Currency translation differences	–	(1)	26	455	632	23	–	1,135
Charge for the financial year	1,118	531	817	8,015	2,665	538	–	13,684
Disposals	–	(70)	(176)	(1,334)	(652)	(310)	–	(2,542)
Write off	–	(12)	(83)	(5,453)	(59)	–	–	(5,607)
Revaluation adjustment	(1,033)	–	–	–	–	–	–	(1,033)
End of financial year	3,543	3,505	3,644	27,126	25,642	1,484	–	64,944
Net book value								
End of financial year	11,679	2,488	995	67,389	8,102	1,015	2,793	94,461

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For the financial year ended 31 December 2016

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

In the previous financial year, the Group transferred two properties from property, plant and equipment to investment properties (Note 20) due to a change in use. The total carrying amount of these two properties was $12,967,000 as at 31 December 2015.

The carrying amounts of motor vehicles held under finance leases are $126,000 (2015: $176,000) at the balance sheet date.

20. INVESTMENT PROPERTIES

	2016	**2015**
	$'000	**$'000**
Beginning of financial year	**13,600**	–
Transfer from property, plant and equipment (Note 19)	**–**	13,600
End of financial year	**13,600**	13,600

Investment properties are carried at fair value at the balance sheet date as determined by independent professional real estate valuers. Valuations are made at each financial reporting date based on the properties' open market value using the direct comparison method. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sales price to that reflective of the investment properties.

Fair value hierarchy

	Fair value measurements at 31 December 2016 using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable input (Level 2)**	**Significant unobservable inputs (Level 3)**
	$	**$**	**$**
Recurring fair value measurements			
Investment property:			
– Industrial buildings	–	–	13,600,000

The investment properties are classified within Level 3. The reconciliation between the balances at the beginning of the financial year and end of the financial year is as disclosed in the investment property reconciliation.

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20. **INVESTMENT PROPERTIES** (CONT'D)

Valuation technique used to derive Level 3 fair values

Level 3 fair value of the Company's properties has been generally derived using the direct comparison approach. In the direct comparison approach, sale prices of similar properties in comparable vicinities are adjusted for differences in key attributes such as location, tenure, age and floor area/level.

Description	Fair value	Valuation technique	Unobservable input	Range of unobservable inputs
Industrial buildings	$13,600,000	Direct comparison	Adjusted price per square feet	$223-$298

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

Valuation processes of the Company

The Company has engaged external, independent and qualified valuers to determine the fair value of the Company's investment property at the end of every financial year. As at 31 December 2016, the fair value of the investment property has been determined by Savills Valuation and Professional Services (S) Pte Ltd.

21. **GOODWILL**

	Group	
	2016	**2015**
	$'000	**$'000**
Cost and net book value		
Beginning of financial year	**5,556**	5,556
Impairment	**(5,556)**	–
End of financial year	**–**	5,556

Goodwill has been allocated to the subsidiary, DMP Marine Fabricator (Nansha) Co. Ltd – the cash-generating unit ("CGU"), acquired in 2012. The recoverable amount of the CGU was determined from value-in-use calculations. The cash flow projection used in the value-in-use calculation was based on the financial budget approved by management for the next year. Cash flow projections beyond two years were extrapolated based on consistent historical margins and using the long-term growth rate of 6% (2015: 6%) of China, which is the market in which the CGU is based. The pre-tax discount rate of 8% (2015: 8%) applied was consistent with other companies in similar industry segment. Based on management's impairment assessment of the CGU as at 31 December 2016, an impairment of $5,556,000 impairment on goodwill was recognised (2015: Nil).

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22. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Deferred income tax assets		
– To be recovered after one year	**–**	–
Deferred income tax liabilities		
– To be settled within one year	**597**	431
– To be settled after one year	**556**	977
	1,153	1,408

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 $17,576,000 (2015: $17,208,000) arising from two foreign subsidiaries at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by the subsidiary in its country of incorporation. The tax losses have no expiry date.

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

	Group	
	2016	**2015**
	$'000	**$'000**
Deferred income tax assets		
Tax losses		
Beginning of financial year	**–**	1,400
Tax charged to profit or loss (Note 9(a))	**–**	(1,400)
End of financial year	**–**	–
Deferred income tax liabilities		
Accelerated tax depreciation		
Beginning of financial year	**1,408**	2,167
Tax credited to profit or loss (Note 9(a))	**(255)**	(759)
End of financial year	**1,153**	1,408

NOTES TO THE **FINANCIAL STATEMENTS**

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23. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables to:				
– Non-related parties	**52,576**	91,707	**–**	–
Construction contracts				
– Advances received (Note 15)	**–**	4,765	**–**	–
Non-trade amount due to:				
– A director	**244**	244	**–**	–
Consideration payable	**–**	1,500	**–**	–
Other payables	**603**	1,170	**1**	84
Accrual for operating expenses	**3,932**	5,780	**143**	1,408
	57,355	105,166	**144**	1,492

The non-trade amount due to a director is unsecured, interest-free and is repayable on demand.

24. BORROWINGS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Bank borrowings	**35,000**	34,191	**–**	–
Finance lease liabilities (Note 25)	**42**	40	**–**	–
	35,042	34,231	**–**	–
Non-current				
Unsecured unquoted fixed rate notes	**–**	49,532	**–**	49,532
Finance lease liabilities (Note 25)	**96**	139	**–**	–
	96	49,671	**–**	49,532
Total borrowings	**35,138**	83,902	**–**	49,532

In 2014, the Group established a S$300 Million Multi-Currency Medium Term Note ("MTN") Programme, pursuant to which the Company may issue notes from time to time to finance the general corporate funding requirements. Under this MTN Programme, the Company may issue notes in Singapore dollars or other currencies, in various amounts and tenors, which may bear fixed, floating or variable rates of interest. Hybrid notes and zero coupon notes may also be issued under the MTN Programme.

The notes were unsecured, interest bearing at 4.25% per annum payable semi-annually, and was fully redeemed on 7 October 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. BORROWINGS (CONT'D)

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	
	2016	**2015**
	$'000	**$'000**
6 months or less	**35,000**	34,191

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 2.27% (2015: 2.44%) per annum.

25. FINANCE LEASE LIABILITIES

The Group leases motor vehicles and certain site equipment and tools from non-related parties under finance leases. Lease terms range from 1 to 5 years with options to purchase at the end of the lease term.

The liabilities are secured on property, plant and equipment acquired under finance lease contracts (Note 19).

	Group	
	2016	**2015**
	$'000	**$'000**
Minimum lease payments due		
– Not later than one year	**48**	48
– Between one and five years	**101**	149
	149	197
Less: Future finance charges	**(11)**	(18)
Present value of finance lease liabilities	**138**	179

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

	Group	
	2016	**2015**
	$'000	**$'000**
– Not later than one year (Note 24)	**42**	40
– Between one and five years (Note 24)	**96**	139
	138	179

NOTES TO THE **FINANCIAL STATEMENTS**

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26. SHARE CAPITAL

	No. of ordinary shares '000	Amount $'000
Group and Company		
2016		
Beginning and end of financial year	**1,023,211**	**145,271**
2015		
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.

27. OTHER RESERVES

	Group 2016 $'000	Group 2015 $'000
(a) Composition:		
Cash flow hedge reserve	**–**	(624)
Foreign currency translation reserve	**77**	100
Asset revaluation reserve	**633**	633
	710	109
(b) Movements:		
(i) Cash flow hedge reserve		
Beginning of financial year	**(624)**	–
Fair value gains	**–**	678
Reclassification to profit or loss		
– Other gains and losses	**624**	(1,302)
End of financial year	**–**	(624)
(ii) Foreign currency translation reserve		
Beginning of financial year	**100**	(643)
Transaction with owners, recognised directly in equity	**200**	–
Net currency translation differences of financial statements of foreign subsidiaries	**(293)**	680
Non-controlling interests	**70**	63
	(23)	743
End of financial year	**77**	100
(iii) Asset revaluation reserve		
Beginning of financial year	**633**	–
Revaluation gains	**–**	633
End of financial year	**633**	633

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28. LOSS/EARNINGS PER SHARE

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

	Group	
	2016	**2015**
	$'000	**$'000**
Net loss attributable to equity holders of the Company	**(15,522)**	(3,453)
Weighted average number of ordinary shares outstanding	**1,023,211**	1,023,211
Basic/diluted loss per share (cents per share)	**(1.52)**	(0.34)

The Company has no potential ordinary shares.

29. DIVIDENDS

	Group	
	2016	**2015**
	$'000	**$'000**
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of nil cents (2015: 1.5 cents) per share	**–**	15,348

30. COMMITMENTS

(a) Capital commitments

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

	Group	
	2016	**2015**
	$'000	**$'000**
Property, plant and equipment	**187**	1,151

(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.

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30. COMMITMENTS (CONT'D)

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

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	
	2016	**2015**
	$'000	**$'000**
Not later than one year	**8,133**	8,227
Between one and five years	**17,102**	21,830
Later than five years	**31,064**	36,357
	56,299	66,414

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

The Group leases site equipment 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	
	2016	**2015**
	$'000	**$'000**
Not later than one year	**12**	12

31. 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**

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31. 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 functional currency of the Group, which is Singapore Dollar ("SGD").

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 the foreign currency exposure for at least 80% of the revenue contracts denominated in foreign currencies by entering into currency forward contracts.

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	RMB $'000	PHP $'000	Others $'000	Total $'000
2016						
Financial assets						
Cash and bank balances	26,138	41,844	133	63	1,357	69,535
Trade and other receivables	42,968	50,564	–	137	3,979	97,648
Deposits	3,881	–	–	20	248	4,149
	72,987	92,408	133	220	5,584	171,332
Financial liabilities						
Trade and other payables*	52,732	53	54	102	4,414	57,355
Bank borrowings and unsecured unquoted fixed rate notes	35,000	–	–	–	–	35,000
Finance lease liabilities	138	–	–	–	–	138
	87,870	53	54	102	4,414	92,493
Net financial (liabilities)/assets	(14,883)	92,355	79	118	1,170	78,839
Add: Expected progress billings in foreign currencies#	–	8,810	–	–	–	8,810
Currency profile of financial (liabilities)/assets	(14,883)	101,165	79	118	1,170	87,649

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31. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

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

	SGD $'000	USD $'000	RMB $'000	PHP $'000	Others $'000	Total $'000
2015						
Financial assets						
Cash and bank balances	44,090	38,916	455	98	1,652	85,211
Restricted cash at bank	3,214	–	–	–	–	3,214
Trade and other receivables	66,247	94,717	42	154	494	161,654
Deposits	1,264	–	10	20	243	1,537
	114,815	133,633	507	272	2,389	251,616
Financial liabilities						
Trade and other payables*	(95,342)	(532)	(209)	(345)	(3,973)	(100,401)
Bank borrowings and unsecured unquoted fixed rate notes	(83,723)	–	–	–	–	(83,723)
Finance lease liabilities	(179)	–	–	–	–	(179)
	(179,244)	(532)	(209)	(345)	(3,973)	(184,303)
Net financial (liabilities)/assets	(64,429)	133,101	298	(73)	(1,584)	67,313
Add: Expected progress billings in foreign currencies#	–	126,460	–	–	–	126,460
Less: Currency forwards	–	(68,923)	–	–	–	(68,923)
Currency profile of financial (liabilities)/assets	(64,429)	190,638	298	(73)	(1,584)	124,850

* Excludes advances received on construction contracts.

\# Translated at year-end closing rate

NOTES TO THE **FINANCIAL STATEMENTS**

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31. **FINANCIAL RISK MANAGEMENT** (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

If the USD, RMB and PHP change against the SGD by 5% (2015: 5%) with all other variables including tax rate being held constant, the effects to the Group's loss after tax (2015: loss after tax) arising from the net financial liability/asset position at balance sheet date will be as follows:

	Increase/(Decrease)			
	2016		**2015**	
	Loss after tax $'000	**Other comprehensive income $'000**	**Loss after tax $'000**	**Other comprehensive income $'000**
Group				
USD against SGD				
– Strengthened	**(3,059)**	**-**	(5,524)	(2,860)
– Weakened	**3,059**	**-**	5,524	2,860
RMB against SGD				
– Strengthened	**(4)**	**-**	(12)	–
– Weakened	**4**	**-**	12	–
PHP against SGD				
– Strengthened	**(5)**	**-**	(3)	–
– Weakened	**5**	**-**	3	–

The Company is not exposed to significant currency risk as it transacts mainly in SGD, which is the functional currency of the Company. The effects of changes in foreign currency rates on the profit after tax of the Company are insignificant.

(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% (2015: 0.5%) during the year with all other variables including tax rate being held constant, the loss after tax (2015: loss after tax) would have been higher/lower (2015: higher/lower) by $175,000 (2015: $171,000) as a result of higher/lower interest expense on these borrowings.

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31. **FINANCIAL RISK MANAGEMENT** (CONT'D)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are trade receivables. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group contracts only with recognised and creditworthy third parties. It is the Group's policy that all customers are required to provide security or advance payment upon the signing of a new contract. In addition, progress billings which are issued according to the stages of project completion are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

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

	Group	
	2016	**2015**
	$'000	**$'000**
By types of customers		
Related parties	**1,147**	288
Non-related parties – Multi-national companies	**42,866**	77,571
	44,013	77,859

The trade receivables of the Group comprise 6 debtors (2015: 4 debtors) that represented 61% (2015: 82%) 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.

(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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

31. **FINANCIAL RISK MANAGEMENT** (CONT'D)

(b) Credit risk (Cont'd)

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

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

	Group	
	2016	**2015**
	$'000	**$'000**
Past due up to 3 months	**17,592**	10,680
Past due 3 to 6 months	**7,041**	5,791
Past due over 6 months	**6,650**	8,485
	31,283	24,956

The Company is not exposed to significant credit risk as there are no trade receivables due to the Company at the balance sheet date.

(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. Balances due within 12 months equal their carrying amounts at balance sheet date as the impact of discounting is not significant.

	Less than 1 year $'000	**Between 1 and 5 years $'000**
Group		
2016		
Trade and other payables*	**57,355**	**–**
Bank borrowings	**35,000**	**–**
Finance lease liabilities	**48**	**101**
	92,403	**101**
2015		
Trade and other payables*	100,401	–
Bank borrowings	34,400	–
Unsecured unquoted fixed rate notes	–	53,214
Finance lease liabilities	48	149
	134,849	53,363

* Excludes advances received on construction contracts

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

31. **FINANCIAL RISK MANAGEMENT** (CONT'D)

(c) Liquidity risk (Cont'd)

	Less than 1 year $'000	Between 1 and 5 years $'000
Company		
2016		
Trade and other payables	**144**	**–**
2015		
Trade and other payables	1,492	–
Unsecured unquoted fixed rate notes	–	53,214
	1,492	53,214

The table below analyses the derivative financial instruments of the Group and the Company for which contractual maturities are essential for an understanding of the timing of the cash flows 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.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Group				
At 31 December 2015				
Gross-settled currency forwards – cash flow hedges				
– Receipts	68,923	–	–	–
– Payments	70,847	–	–	–

(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.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

31. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Capital risk (Cont'd)

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 2016 and 2015 are 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 2016.

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Total debt	**35,138**	83,902	**–**	49,532
Total equity	**166,672**	180,506	**142,344**	144,146
Total capital	**201,810**	264,408	**142,344**	193,678
Gearing ratio	**17%**	32%	**–**	26%

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(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).

	Level 2
	$'000
Group	
2016	
Liabilities	
Derivative financial instruments	–
2015	
Liabilities	
Derivative financial instruments	1,924

The fair value of currency forward contracts is determined using quoted forward currency rates at the balance sheet date. These investments are classified as Level 2.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

31. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 12, except for the following:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Loans and receivables	**171,332**	251,616	**110,876**	163,547
Financial liabilities at amortised cost	**92,493**	184,303	**144**	51,024

Loans and receivables have been defined in Note 2.11(a).

(g) Offsetting financial assets and liabilities

The Group's financial assets and liabilities are not subjected to enforceable master netting arrangements or similar arrangements. Financial derivatives, financial assets and financial liabilities are presented as gross on the consolidated balance sheet.

32. RELATED PARTIES 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

	Group	
	2016	**2015**
	$'000	**$'000**
Sub-contracting services from other related parties	**(3,018)**	(3,056)
Consulting fees and rental income from other related parties	**92**	153
Fabrication of topside modules and other ad-hoc projects to other related parties	**2,444**	2,735

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

Outstanding balances as at 31 December 2016, arising from transactions with other related parties, are unsecured and recoverable/payable within 12 months from balance sheet date and are disclosed in Note 12 and 23 respectively.

Outstanding commitments as at 31 December 2016, arising from transactions with other related parties, include $1,003,000 (2015: $2,281,000) for purchases of its sub-contracting services.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

32. RELATED PARTIES TRANSACTIONS (CONT'D)

(b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	2016	2015
	$'000	$'000
Directors		
Wages and salaries	**2,181**	3,092
Employer's contribution to defined contribution plans, including Central Provident Fund	**46**	37
Other benefits	**50**	45
	2,277	3,174
Senior Management		
Wages and salaries	**1,399**	2,033
Employer's contribution to defined contribution plans, including Central Provident Fund	**65**	77
	1,464	2,110
	3,741	5,284

33. 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
2016			
Revenue			
Segment revenue to external parties	**192,338**	**11,709**	**204,047**
Segment gross profit	**41,557**	**278**	**41,835**
As at 31 December 2016			
Segment assets	**95,279**	**6,082**	**101,361**
Segment liabilities	**49,421**	**3,154**	**52,575**

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

33. SEGMENT INFORMATION (CONT'D)

	Module Business $'000	Ad-hoc projects $'000	Total $'000
2015			
Revenue			
Segment revenue to external parties	263,205	6,307	269,512
Segment gross profit	50,575	(901)	49,674
As at 31 December 2015			
Segment assets	167,253	4,008	171,260
Segment liabilities	93,930	2,251	96,181

There are no sales between segments. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The Board of Directors assesses the performance of the operating segment based on gross profit. Segment results represent the profit earned by each segment without allocation of other income, administrative expenses, finance expenses, share of loss of an associated company and income tax expenses. This is reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

(a) Reconciliations

(i) Segment profits

A reconciliation of segment gross profit to net profit is as follows:

	Group	
	2016 $'000	**2015 $'000**
Segment gross profit for reportable segments	**41,835**	49,674
Other gains and losses – net	**(12,127)**	(3,948)
Administrative expenses	**(41,641)**	(44,122)
Finance expenses	**(2,989)**	(3,414)
Loss before income tax	**(14,922)**	(1,810)
Income tax expense	**(743)**	(3,373)
Net loss	**(15,665)**	(5,183)

(ii) Segment assets

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitors work-in-progress, inventories and receivables attributable to each segment.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

33. SEGMENT INFORMATION (CONT'D)

(a) Reconciliations (Cont'd)

(ii) Segment assets (Cont'd)

All assets are allocated to reportable segments other than cash and cash equivalents, other receivables, other current assets, goodwill, property, plant and equipment, club memberships and investment properties.

Segment assets are reconciled to total assets as follows:

	2016 $'000	2015 $'000
Segment assets for reportable segments	**101,361**	171,260
Unallocated assets		
– Cash and bank balances	**69,535**	85,211
– Restricted cash at bank	**–**	3,214
– Other current assets	**4,569**	1,999
– Deferred income tax asset	**–**	–
– Goodwill	**–**	5,556
– Property, plant and equipment	**72,146**	94,461
– Investment property	**13,600**	13,600
– Club memberships	**407**	407
Total assets	**261,618**	375,708

The Group's property, plant and equipment are purchased primarily for the module business. This same equipment may also be utilised for ad-hoc projects.

(iii) Segment liabilities

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segments. All liabilities are allocated to the reportable segments other than other payables, derivative financial instruments, finance lease liabilities, current income tax liabilities and deferred income tax liabilities.

Segment liabilities are reconciled to total liabilities as follows:

	2016 $'000	2015 $'000
Segment liabilities for reportable segments	**52,575**	96,181
Unallocated liabilities		
– Other payables	**4,780**	8,985
– Derivative financial liabilities	**–**	1,924
– Borrowings	**35,138**	83,902
– Current income tax liabilities	**1,300**	2,802
– Deferred income tax liabilities	**1,153**	1,408
Total liabilities	**94,946**	195,202

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

33. **SEGMENT INFORMATION** (CONT'D)

(b) Geographical information

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

	2016	2015
	$'000	$'000
Asia Pacific	**168,233**	175,754
Europe	**35,814**	93,758
	204,047	269,512

The Group's property, plant and equipment are located mainly in Singapore and Malaysia as at 31 December 2016 and Singapore, China and Malaysia as at 31 December 2015.

(c) Revenue from major customers

At balance sheet date, the Group's three largest customers by revenue in aggregate, accounted for 86% (2015: 86%) of total revenue.

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

- FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

(i) Rights of return – FRS 115 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation; and

(ii) Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under FRS 115.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

  The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

  While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through OCI and hence there will be no change to the accounting for these assets.

  The other financial assets held by the Group include:

  - equity instruments currently classified as AFS for which fair value through OCI election is available;
  - equity investments currently measured at fair value through profit or loss which would likely to continue to be measured on the same basis under FRS 109; and
  - debt instruments classified as held-to-maturity or loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under FRS 109.

  Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

  FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of FRS 109. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONT'D)

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

  FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $56,299,000 (Note 30). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

  Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

35. 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 31 March 2017.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

36. LISTING OF COMPANIES IN THE GROUP

The subsidiaries of Dyna-Mac Holdings Ltd. are as follows:

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	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
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

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

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

The subsidiaries of Dyna-Mac Holdings Ltd. are as follows: (Cont'd)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent 2016 %	Proportion of ordinary shares directly held by parent 2015 %	Proportion of ordinary shares directly held by the Group 2016 %	Proportion of ordinary shares directly held by the Group 2015 %	Proportion of ordinary shares directly held by non-controlling interests 2016 %	Proportion of ordinary shares directly held by non-controlling interests 2015 %
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 PricewaterhouseCoopers 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
(f) Audited by Armando Y. C. Chung & Co., Hong Kong

INTERESTED PERSON **TRANSACTION DISCLOSURE**

For the financial year ended 31 December 2016

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 2016 $'000	12 months ended 31 Dec 2015 $'000	12 months ended 31 Dec 2016 $'000	12 months ended 31 Dec 2015 $'000
PURCHASES AND OTHER EXPENSES				
Transactions with L&W United Engineering Pte. Ltd. ("L&W")				
Subcontracting services for steel and piping fabrication	652	1,878	–	–
Transactions with L&W Marine Engineering Pte. Ltd. ("L&WM")				
Subcontracting services for steel and piping fabrication	59	1,178	–	–
Transactions with Keppel Fels Limited				
Subcontracting services for steel and piping fabrication	–	–	2,307	–
Transactions with Palms JH Associates				
Corporate relations consultancy service	75	120	–	–
REVENUE				
Keppel FELS Limited				
Fabrication of structural blocks	–	–	2,218	2,092
Keppel Shipyard Limited				
Other adhoc projects (Other services)	–	–	226	–
Keppel Subic Shipyard Inc				
Fabrication of Topside modules	–	–	–	643
Rental Income and gain on sale of used containers	–	–	17	–

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 Friday, 28 April 2017 at 4.30 p.m. for the purpose of transacting the following business:–

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2016 together with the Directors' Statement and the Auditors' Report thereon. (Resolution 1)

2. To approve Directors' Fees of S$153,450 for the financial year ended 31 December 2017 to be paid to the Directors quarterly in arrears. (Resolution 2)

3. To re-elect Mr Lim Tjew Yok who retires in accordance with Article 91 of the Company's Constitution and who, being eligible, offers himself for re-election. (Resolution 3)

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 will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committees and a member of the Nominating and Remuneration Committee.

5. To appoint Messrs Ernst & Young LLP ("**EY**") as the Company's auditors in place of the retiring auditors, Messrs PricewaterhouseCoopers LLP ("**PwC**"), to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. (Resolution 5)

   Notes to shareholders:

   (a) PwC has confirmed that they are not aware of any professional reasons why EY should not accept appointment as the new auditors.

   (b) The Company confirms that there were no disagreements with PwC on accounting treatments within the last twelve (12) months from the date of this notice of the annual general meeting.

   (c) The Company confirms that the Company is not aware of any circumstances connected with the proposed change of auditors that should be brought to the attention of shareholders and which has not been disclosed in the circular to shareholders dated 13 April 2017.

   (d) The Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited in relation to the appointment of EY as its new auditors.

   (e) The reason for the proposed change of auditors is to enable the Company to benefit from fresh perspectives through periodic rotation of external auditors and to ensure good corporate governance.

NOTICE OF THE **ANNUAL GENERAL MEETING**

AS SPECIAL BUSINESS

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

6. Authority to issue shares (Resolution 6)

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorized and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall be limited as follows:

(A) without prejudice to sub-paragraph (1)(B) below, the aggregate number of shares to be issued shall not exceed 50 per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20 per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) ("**General Limit**");

(B) in addition to the General Limit, the aggregate number of shares to be issued by way of renounceable rights issues on a pro rata basis ("**Renounceable Rights Issues**") shall not exceed 50 per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below ("**Additional Limit**");

(C) where an issue of shares is to be issued by way of Renounceable Rights Issues, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit;

(D) where an issue of shares is to be issued otherwise than by way of Renounceable Rights Issue, that issue may only use the General Limit, but only to the extent of the then remaining General Limit;

(E) an issue of shares that is not for a financing purpose may only use the General Limit, but the number of such shares that may be issued shall be limited to the numerical number of the then remaining Additional Limit;

NOTICE OF THE **ANNUAL GENERAL MEETING**

(2) the General Limit and the Additional Limit shall not, in aggregate, exceed 100 per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(3) no shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50 per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(4) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1)(A) and (1)(B) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(5) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

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

7. Renewal of the mandate for Interested Person Transactions (Resolution 7)

That:–

1. 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");

2. 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

3. 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.

NOTICE OF THE **ANNUAL GENERAL MEETING**

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

BY ORDER OF THE BOARD

Liew Meng Ling/Lee Kim Lian Juliana
Joint Company Secretaries

Date: 13 April 2017
Singapore

Notes:

(1) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or 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 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.

(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 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 forty-eight (48) hours before the time appointed for holding the meeting.

Explanatory Notes on Special Business to be Transacted

Resolution 6: This resolution if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting ("**AGM**") of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding the aggregated of (i) 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders of the Company (the General Limit)and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued shares (excluding treasury shares) in the capital of the Company (the Additional Limit), provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares) at the time Ordinary Resolution 6 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF THE **ANNUAL GENERAL MEETING**

The authority for the Additional Limit is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further shares shall be issued pursuant to this Resolution, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company ("the Enhanced Rights Issue Limit"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act requiring the Company to seek shareholders' approval and disclosure requirements under the Listing Manual on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders as it will provide the Company with the option and flexibility to raise further funds to meet its working capital and/or other funding requirements in a timely manner and without having to incur additional time and cost to obtain separate shareholders' approval.

The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

Resolution 7: 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 2016 Annual Report.

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 where the member discloses the personal data of the member's 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.

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DYNA-MAC HOLDINGS LTD.
Company Registration No. 200305693E
(Incorporated in the Republic of Singapore)

Proxy Form
Annual General Meeting

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 13 April 2017.

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)			

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 Friday, 28 April 2017 at 4.30 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, Auditors' Reports and Audited Financial Statements		
2	Approval of Directors' Fees for the year ending 31 December 2017		
3	Re-election of Mr Lim Tjew Yok 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	Appointment of Messrs Ernst & Young LLP as Auditors		
	Special Business:		
6	Authority to issue shares pursuant to Section 161 of the Companies Act Cap. 50		
7	Renewal of mandate of Interested Person Transactions		
8	Any other business		

Dated this __________ day of ____________ 2017.

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 one or 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 48 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 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 13 April 2017.

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CORPORATE **DIRECTORY**

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
Chairman and Chief Executive Officer

Varghese John
Senior Chief Corporate and Technical Officer

Lim Tjew Yok
Chief Operating Officer

Tan Soo Kiat
Lead Independent Director

Dr Ong Seh Hong
Independent Director

Chia Hock Chye Michael
Non-executive Director

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

Wong Ngiam Jih
Alternate to Chia Hock Chye Michael
(Resigned on 31 March 2017)

AUDIT COMMITTEE

Tan Soo Kiat (Chairman)
Chia Hock Chye Michael
Dr Ong Seh Hong

REMUNERATION COMMITTEE

Dr Ong Seh Hong (Chairman)
Chia Hock Chye Michael
Tan Soo Kiat

NOMINATING COMMITTEE

Dr Ong Seh Hong (Chairman)
Chia Hock Chye Michael
Tan Soo Kiat

JOINT COMPANY SECRETARIES

Liew Meng Ling, ACIS
Lee Kim Lian Juliana, LLB (Hon)

SHARE REGISTRAR

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

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation
Standard Chartered Bank

AUDITOR

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Audit Partner: Lee Chian Yorn
(Appointed since 2016, resigned on 3 April 2017)

SOLICITOR

RHT Law LLP
Equity Law LLC

Dyna-Mac Holdings Ltd.

Company Reg. No: 200305693E

59 Gul Road, Singapore 629354
Tel: +65 6762 5816 • Fax: +65 6762 3465
Website: www.dyna-mac.com