

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

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**EMPHASIS OF MATTER BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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In compliance with Rule 704(5) of the Listing Manual, the Board of Directors of Dyna-Mac Holdings Ltd (the “Company” and together with its subsidiaries, the “Group”) wishes to inform shareholders and investors that its independent auditors, Ernst & Young LLP (the “Auditors”), have included an emphasis of matter with respect to our uncertainty over the availability and timing of award of new contracts which may cast significant doubt on the ability of the Group to continue as a going concern, in their report (the “Independent Auditor’s Report”) on the financial statements of the Group for the financial year ended 31 December 2017 (the “Financial Statements”).

The opinion of the Auditors however remains unqualified.

A copy of the Independent Auditor’s Report together with the extract of the relevant note to the Financial Statements is annexed to this announcement.

**BY ORDER OF THE BOARD**

Lim Tze Jong  
Executive Chairman / Chief Executive Officer

Date: 23 March 2018

## **Dyna–Mac Holdings Ltd.**

### **Independent auditor's report For the financial year ended 31 December 2017**

#### **Independent auditor's report to the members of Dyna–Mac Holdings Ltd.**

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### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Dyna–Mac Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and 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 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

#### **Basis for Opinion**

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

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2.1 to the financial statements. The Group incurred a net loss of \$57,912,000 during the year ended 31 December 2017.

The uncertainty over the availability and timing of awards of new contracts indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to generate sufficient operating cash flows and continue as a going concern. Due to the considerations disclosed in Note 2.1 to the financial statements, the directors are of the view that the continuing use of the going concern assumption in the preparation of the accompanying financial statements is appropriate.

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

## **Dyna–Mac Holdings Ltd.**

### **Independent auditor's report For the financial year ended 31 December 2017**

#### **Independent auditor's report to the members of Dyna–Mac Holdings Ltd.**

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### **Report on the Audit of the Financial Statements (cont'd)**

#### **Key Audit Matters**

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

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

#### Assessment of impairment for the Group's Yards

As at 31 December 2017, the carrying amount of the Group's property, plant and equipment (including those classified as held for sale) amounted to \$63,143,000, representing 44% of total assets. The majority of these assets relates to the Group's yards located in Singapore at Gul Road ("Main Yard") and Pandan Crescent ("West Yard") (collectively, the "Yards").

The challenging conditions in the global oil and gas industry has affected the Group's order book and financial performance. This presents an indicator that the Yards may be impaired. In view of the aforementioned, management have performed an impairment test to assess whether an impairment charge is required for the Yards.

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

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

We also assessed the adequacy of the disclosures related to property, plant and equipment and assets held for sale in Notes 16 and 18 to the financial statements.

## **Dyna–Mac Holdings Ltd.**

### **Independent auditor's report For the financial year ended 31 December 2017**

#### **Independent auditor's report to the members of Dyna–Mac Holdings Ltd.**

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### **Report on the Audit of the Financial Statements (cont'd)**

#### **Key Audit Matters (cont'd)**

##### Assessment of impairment for trade receivables

As at 31 December 2017, the carrying amount of the Group's trade receivables (including amounts due from customers on construction contracts) amounted to \$24,435,000.

Given the challenging conditions in the oil and gas industry and the use of significant management judgement in assessing the recoverability of outstanding trade receivables, we determined this as a key audit matter.

As part of the audit, we obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables. On a sample basis, we requested confirmation replies and obtained evidence of post year–end receipts for key trade receivables. We also evaluated the reasonableness of management's assessment on the recoverability of trade receivables through testing the accuracy of ageing of receivables, analysing the ageing profile to identify collection risk and reviewing historical payment patterns.

Further, we considered the adequacy of the disclosures on trade receivables and the related credit risk in Notes 11 and 27(b) to the financial statements.

##### Revenue recognition on construction projects and valuation of work-in-progress

The Group derives most of its revenue from construction contracts, whereby such revenue is recognised based on management's estimation of the stage of completion of the project activities. The accounting for these construction contracts and the determination of percentage of completion is complex. There are also estimation uncertainties associated with the determination of cost to complete these projects. As such, we determined this as a key audit matter.

As part of the audit, we obtained an understanding of the Group's costing and budgeting process, and the controls put in place to estimate project revenues and profit margins. For significant projects, we sighted certified progress reports from engineers and assessed appropriateness of management's estimate of stage of completion of the project. We held discussions with senior management of the Group regarding the status of the Group's construction projects, budgeted cost to complete, probability of foreseeable losses or liquidated damages and where applicable, assessed the estimates of costs to complete and reasonableness of foreseeable losses, if any.

We also assessed the adequacy of the disclosures on the Group's project revenue and construction contracts work-in-progress in Notes 4 and 13 to the financial statements.

#### **Other Matter**

The consolidated financial statements of the Group for the year ended 31 December 2016 and balance sheet of the Company as at 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2017.

## **Dyna–Mac Holdings Ltd.**

### **Independent auditor's report For the financial year ended 31 December 2017**

#### **Independent auditor's report to the members of Dyna–Mac Holdings Ltd.**

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### **Report on the Audit of the Financial Statements (cont'd)**

#### **Other Information**

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

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

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

#### **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.

#### **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 skepticism 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.

**Dyna–Mac Holdings Ltd.**

**Independent auditor's report  
For the financial year ended 31 December 2017**

**Independent auditor's report to the members of Dyna–Mac Holdings Ltd.**

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**Report on the Audit of the Financial Statements (cont'd)**

**Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

- 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.

**Dyna–Mac Holdings Ltd.**

**Independent auditor's report  
For the financial year ended 31 December 2017**

**Independent auditor's report to the members of Dyna–Mac Holdings Ltd.**

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**Report on the Audit of the Financial Statements (cont'd)**

**Report on Other Legal and Regulatory Requirements**

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

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

Ernst & Young LLP

Public Accountants and  
Chartered Accountants  
Singapore

23 March 2018

## 1. **General information**

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

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 30 to the financial statements.

## 2. **Summary of 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 financial statements are presented in Singapore Dollars (“SGD” or “\$”) and all values in the tables are rounded to the nearest thousand (\$’000), except when otherwise indicated.

#### Going concern assumption

The Group has incurred a net loss of \$57,912,000 for the year ended 31 December 2017 (2016: \$19,134,000).

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

Management has observed that the contracts available for tender relevant to the Group, are of lower award value and at very competitive prices compared with previous years. The uncertainty over the availability and timing of award of new contracts indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to generate sufficient operating cash flows and continue as a going concern.



## 2. Summary of significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

#### Going concern assumption (cont'd)

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

#### a) Net current assets

As at 31 December 2017, the Group has net current assets of \$58,906,000 which includes cash and cash equivalents of \$37,088,000.

#### b) New orders secured and potential new orders

During the year, the Group secured new projects for an aggregate provisional sum of \$101.0 million. As at 31 December 2017, the Group's order book stood at \$90.0 million.

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

#### c) Availability of credit facilities

As at the date of these financial statements, the Group has banking facilities for short-term trade loans and advances totalling \$37,500,000. The Group's bank borrowing of approximately \$6,671,000 (Note 21) as at 31 December 2017 relates to amounts drawn under these facilities.

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

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

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded on the Group's balance sheet. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statement