

DYNA-MAC HOLDINGS LTD.

Co. Reg. No. 200305693E
(Incorporated in Singapore)

RESPONSE TO SGX QUERIES

The Board of Directors (the “**Board**”) of Dyna-Mac Holdings Ltd (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 12 April 2020 regarding our announcement dated 8 April 2020 on emphasis of matter by the Company’s independent auditors in relation to the material uncertainty related to going concern, and sets out below our responses as follows:

Question 1:

The Board of Directors’ assessment of the Group’s ability to continue operating as a going concern and the bases for the said assessment

Response to Question 1

The Board of Directors of the Group, having reassessed the available sources of liquidity and funding, believe that the Group can continue as a going concern for the foreseeable future. In analyzing the validity of the going concern bases, the following factors were considered:

a) New orders secured and potential new orders

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

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

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

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

b) Availability of credit facilities

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

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

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

c) COVID-19

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

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

Question 2:

The Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3)

Response to Question 2

The Board of Directors opined that the trading of the Company's shares should not be suspended pursuant to Listing Rule 1303(3).

Question 3:

The Board of Directors' confirmation as to whether all material disclosures have been provided for trading of the Company's shares to continue in an orderly manner; and the bases for its views

Response to Question 3

The Board of Directors confirmed that all material disclosures have been provided for trading of the Company's shares to continue in an orderly manner as the Company was able and willing to comply with the Listing rules.

BY ORDER OF THE BOARD

Lim Ah Cheng

Executive Director / Chief Executive Officer

Date: 14 April 2020