

# Towards Greater Heights

Annual Report 2013



# Corporate Profile

**A multi-disciplinary offshore fabrication specialist with core focus in FPSO / FSO topside modules.**

Established in Singapore in 1990, Dyna-Mac Holdings Ltd. (精研控股有限公司) is one of the world's leading players in the fabrication and assembly of topside modules for floating, production, storage and offloading vessels ("FPSOs") and floating, storage and offloading vessels ("FSOs"). The Group also undertakes general engineering and fabrication services for specialised structures for semi-submersibles and sub-sea products. Since 1998, Dyna-Mac has successfully delivered over 194 topside modules, 25 skids, 28 pipe and manifold racks (including 5 turret modular sections), to its customers who are amongst the world's largest owners and operators of FPSOs/FSOs as well as multinational engineering companies in the marine and oil and gas industries. Dyna-Mac was listed on the Mainboard of the Singapore Stock Exchange in March 2011 and trades under the stock code NO4.



# Another Milestone Achievement

## Unveiling The Largest & Heaviest FPSO Turret Ever Built At 10,000 Tonnes



Gantry



Collar Structure

Constructed In  
Dyna-Mac Singapore  
Main Yard  
-Client: SBM Offshore  
-Operator: BP



Bogie Support Structure

Dyna-Mac is proud to celebrate the successful completion of five modular sections for turret mooring system. This turret is currently the largest and heaviest turret delivered so far. Dyna-Mac's capability in excellent project management and construction technology enables us to meet stringent specifications and harsh environmental conditions. The processes include the welding, fabrication and testing of 800 tonnes of exotic piping material with extremely tight tolerances. Dyna-Mac has reached demanding standards in safety, quality and delivery.



A Message  
from our  
**Chairman & CEO**

“WE HAVE SUCCESSFULLY COMPLETED AND LOADED OUT WHAT WE BELIEVE TO BE THE CURRENT WORLD’S LARGEST TURRET MOORING SYSTEM WEIGHING A TOTAL OF 10,000 TONNES.”

Mr Lim Tze Jong Desmond  
*Executive Chairman & CEO*



TOTAL REVENUE

**\$269**

Million

GROSS PROFIT

**\$66**

Million

## Dear Shareholders

FY2013 was a record breaking year for the Group. We achieved a 25% increase in turnover to close at a new high at \$269.4m.

In 4Q2013, we have successfully completed and loaded out what we believe to be the current world's largest turret mooring system weighing a total of 10,000 tonnes. The turret mooring system was delivered to Hyundai shipyard in Korea where it will be integrated onto the FPSO Glen Lyon.

This was achieved in the backdrop of our yards in Singapore operating at almost full capacity for the most part of the year in FY2013 fabricating topside modules and structures.

Another breakthrough in FY2013 was the completion of our maiden project in Guangzhou, China. The project was delivered on time, within safety standard and quality for the FPSO Cidade de Ilhabela.

Two new projects have commenced in our yards in Guangzhou, China in 4Q2013, and are expected to be completed by 3Q2014.

In Philippines, our project is progressing on track nearing 50% completion in spite of cultural differences in work force. Safety standard in our Philippines yard is maintained at excellent at all times.

Over in Malaysia, three new projects have commenced in 4Q2013 and these are expected to be completed progressively by 1Q2015.

### Dividend

The Group is proposing a final cash dividend of \$0.02 per share for the year ended 2013. This represents a dividend payout of 71% of our profit.

### Outlook

FY2014 will be another busy year for the Group. Our order book as at today is about \$324m. The Group has a healthy tender book which is supportable by the additional yard space leased in Malaysia, China and Philippines. The Group will continue to focus on safety, quality and on-time delivery of its projects.

### Appreciation

On behalf of the Board, I would like to take this opportunity to express my appreciation to the management and staff for their hard work and commitment in FY2013. I would also like to record my thanks to my fellow directors for their advice and guidance.

We are also extremely grateful for the support and loyalty of our customers and business partners. We hope you will continue to place your trust in us.

New order  
**Win**

**S\$40**

**Million**

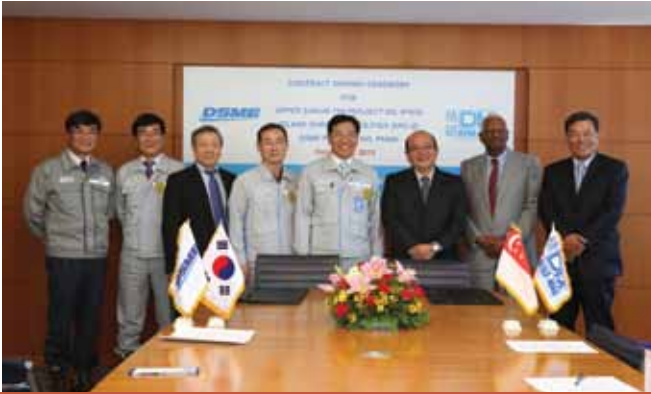
- May 2013
- Fabrication of several units of topside module for a FPSO
- Fabrication of structural blocks



**S\$135**

**Million**

- July 2013
- Fabrication of topside modules, manifolds and flare towers for 2 FPSOs to be carried out in yards in Guangzhou and Singapore



**US\$117**

**Million**

- November 2013
- Secure 2 orders from Daewood Shipbuilding & Marine Engineering Co., Ltd (“DSME”) and OneSubsea Malaysia Systems Sdn Bhd (“OneSubsea”)
- DSME - Fabrication of 14 units of pre-assembled modules for the island surface facilities on the artificial islands located in the Arabian Gulf
- OneSubsea – Fabrication of subsea piping and its supporting structures which form part of a subsea system



Net order  
**Book**

**S\$246**

Million

- August 2013



**S\$392**

Million

- November 2013



**S\$324**

Million

- February 2014



# Financial Highlights

## REVENUE & PROFIT (\$'M)

	FY May 2009 (12 months)	FY May 2010 (12 months)	FY May 2011 (12 months)	FP Dec 2011 (7 months)	FY Dec 2012 (12 months)	FY Dec 2013 (12 months)
Revenue	121	219	168	50	215	269
Gross Profit	28	51	50	13	57	66
GP Margin	23%	23%	30%	26%	26%	25%
Profit after tax	8	25	25	6	28	31
PAT Margin	7%	11%	15%	12%	13%	12%
Non-controlling interest	-	-	-	-	-	(2)
Profit attributable to Equity holders of the Company	8	25	25	6	28	29

## BALANCE SHEET (\$'M)

	May 2009	May 2010	May 2011	Dec 2011	Dec 2012	Dec 2013
Total assets	131	165	228	159	265	352
Total liabilities	104	135	100	44	81	157
Net assets	27	30	128	115	184	195

## FINANCIAL INDICATORS

	FY May 2011 (12 months)	FP Dec 2011 (7 months)	FY Dec 2012 (12 months)	FY Dec 2013 (12 months)
EPS (Cents)	3.2	0.6	3.0	2.8
Dividend (Cents)	2.0	0.5	2.0	2.0
ROE	20%	5%	19%	15%
Gearing	0.1	0.0	0.0	0.2

**CASH FLOWS (\$'M)**

	FY May 2009 (12 months)	FY May 2010 (12 months)	FY May 2011 (12 months)	FP Dec 2011 (7 months)	FY Dec 2012 (12 months)	FY Dec 2013 (12 months)
Net cash from / (used in)						
operating activities	34	41	4	(3)	10	12
Net cash (used in) investing activities	(18)	(21)	(30)	(3)	(27)	(38)
Net cash (used in) / provided by financing activities	(12)	(15)	55	(17)	41	14
Cash and cash equivalents	8	13	42	18	43	31
Add: short term bank deposits	10	20	40	10	20	30
Cash and bank balances	18	33	82	28	63	61

**USE OF PROCEEDS RAISED FROM IPO (\$'M)**

	Amount allocated	Amount utilised as at 31 Dec 2013	Balance
a. Expansion of yard facility at 13 Pandan Crescent	8	8	0
b. Upgrading and expansion of yard facility at Main Yard	12	12	0
c. Acquisition of additional equipment and machinery	7	7	0
d. Expansion of operations overseas	20	20	0
e. General working capital	26	26	0
Total	73	73	0

**USE OF PROCEEDS RAISED FROM PLACEMENT (\$'M)**

	Amount allocated	Amount utilised as at 31 Dec 2013	Balance
General working capital	46	0	46
Total	46	0	46

# The year in Review



The global environment has its usual uncertainties in FY2013. There were pockets of anxieties over US tapering their quantitative easing policies, Europe making slow progress in their recovery, and China slowing down their GDP growth. However, Brent crude prices maintain at around US\$100 which continue to provide the business support for our Group.

FY2013 was a year of expansion for the Group. Our yards operated actively in Guangzhou, China, and Subic, Philippines, while our yards in Singapore operated at near full capacity. Over in our yard in Malaysia, new projects commenced in 4Q2013.

## Financial Review

The Group's revenue increased by \$54.1m or 25.1% from \$215.3m in FY2012 to \$269.4m in FY2013. The increase was due to higher volume of projects carried out in our Singapore yards and overseas yards in China and Philippines.

Gross profit for FY2013 increased by \$9.1m or 16.0% from \$56.7m in FY2012 to \$65.8m in FY2013. The higher gross profit in FY2013 was due to higher volume of work.

## GROSS PROFIT MARGIN

# 24.4%

## RETURN ON EQUITY

# 15%

However, gross profit margin decreased by 1.9 percentage points from 26.3% in FY2012 to 24.4% in FY2013. This was mainly due to higher operating costs of all our yards.

Net profit for FY2013 after non-controlling interest was \$28.7m as compared to \$28.4m in FY2012. The Group has incurred higher administrative expenses mainly due to a larger work force to support the overseas operations, which has impacted the net profit for FY2013.

The Group continued to maintain a healthy balance sheet with cash and bank balances at \$61.5m. The Group maintained a minimal gearing at 0.2 times and an average current ratio of 1.5. Return on equity for the year ended 2013 was 15%.

### Operation Review

The Group had a busy year in FY2013. In the midst of operating at near full capacity in our Singapore yards, and managing overseas operations for the first time in Guangzhou, China, and Subic, Philippines, we continue to achieve significant milestones.

In 4Q2013, we successfully completed and loaded out what we believe to be the current world's largest turret mooring system weighing a total of 10,000 tonnes. The turret mooring system was delivered to Hyundai shipyard in Korea where it will be integrated onto the FPSO Glen Lyon.

At around the same time, we completed our first maiden project in Guangzhou, China. The project was delivered on time, within safety standard and quality for the FPSO Cidade de Ilhabela.

Work in Subic, Philippines, is progressing on track nearing 50% completion.

Three new projects have commenced in 4Q2013 in our Malaysia yard.

Our Singapore yards have just seen a near full capacity operations in FY2013 and are getting ready for another year of high capacity operations in FY2014.

### Outlook

The Group's net order book is \$324m and we have a healthy tender book. The Group with its yards in Singapore and overseas are well positioned to meet this challenge. The Group will continue to focus on safety, quality and on-time delivery of the projects.

# Board of Directors



## **MR LIM TZE JONG DESMOND**

*Executive Chairman and CEO*

Mr Lim founded the Dyna-Mac Group in 1990 and has since played a pivotal role in spearheading its growth. In 1997, he was instrumental in diversifying the Group's initial business of construction of piping systems and steel structures into its present business of providing engineering services in the construction of topside modules for FPSO and FSO. With more than 26 years of industry experience under his belt, Mr Lim oversees the overall organisation, management and marketing of the Group. As the Group's key decision maker, he charts the strategic direction and growth as well as corporate plans and policies of the Group. Amongst others, Mr Lim's responsibilities include overseeing the core aspects of the Group's business such as project management, finance and marketing operations.

## **MR VARGHESE JOHN**

*Chief Corporate and Technical Officer and Executive Director*

Mr Varghese John, who joined Dyna-Mac in 1999, oversees the Company's overall operational functions of the departments of quality assurance and quality control, safety and security, engineering, human resource and overseas project management in the Philippines. Mr Varghese John brings with him more than 31 years of experience in quality assurance and project management for EPC contracts involving refineries, chemical plants and oil and gas projects gained from years with companies such as Bharath Heavy Electrical Trichinapoly, Sembawang Engineering Co. Pte Ltd and Sembawang Project Engineering Co. Pte Ltd. He holds a Bachelor in Mechanical Engineering from the University of Kerala and has published several technical papers on quality, productivity and project management in relation to FPSO topside modules. In addition, Mr Varghese John is also a member of the Singapore Welding Society and a member of the Indian Institute of Welding.



## **MR LIM TZE YOK**

*Chief Operating Officer and Executive Director*

Mr Lim, or TY as he is better known, joined Dyna-Mac in 2001 and is responsible for the yard and facilities management, development and maintenance, project management, which encompasses piping, structure, mechanical, painting, E&I, store, production administration, document control, planning, HVAC, rigging and welding and overseas project management in Malaysia and China. He has adeptly managed projects involving the design, procurement, construction, installation and commissioning of more than 100 topside modules, hull of the semi-submersibles and mooring turret system. Prior to joining the Group, TY gained valuable engineering experience working for companies that included Kailay Engineering Pte. Ltd. and Shin Nippon Air Technologies Co. Ltd. where he managed several projects worth between \$10 million and \$50 million each. TY obtained his Diploma in Mechanical Engineering from the Singapore Polytechnic in 1979.

## **MR TEO BOON HWEE SIMON**

*Chief Marketing Officer and alternate Director to Mr Lim Tze Jong Desmond*

Mr Teo was appointed as alternate director to Mr Lim Tze Jong Desmond in June 2011. He first joined the Group as general manager of the commercial department in 1998 and was promoted to his current role in June 2011, where he is in-charge of the Group's commercial activities, procurement, sub-contracting, quantity surveyor, as well as coordination and administration of overseas markets. Backed by over 15 years of experience in marketing, sourcing and procurement, Mr Teo plays an instrumental role in liaising with customers on commercial terms and provides leadership for tenders and customer relationships. Mr Teo graduated from the University of Aston in Birmingham, United Kingdom in 1984 with a Bachelor's Degree (Honours) in Production Technology and Production Management. He is also a chartered engineer with the Engineering Council in the United Kingdom.





**MR TAN SOO KIAT**

*Lead Independent Director*

Appointed to Dyna-Mac's Board on 8 February 2011, Mr Tan, who is currently the director of Intergate Pte Ltd., a company engaged in the provision of corporate advisory services, brings with him more than 17 years of experience in the banking and finance industry. He was formerly the chief operating officer and executive director of Goodpack Limited; general manager and executive director of Progen Holdings Ltd., vice president (Finance) of Pacific Century Regional Developments Limited and treasurer with the investment banking arm of DBS Bank. In Australia, he was also a senior internal auditor and marketing/loans manager for Bank of Western Australia Ltd. and a senior internal auditor for Challenge Bank Ltd. Mr Tan obtained a Bachelor's Degree in Commerce (Accounting) from University of Otago, New Zealand in 1983. He is a chartered accountant with the Institute of Chartered Accountants of New Zealand. Mr Tan also holds independent directorships in three other SGX-listed companies.

**DR ONG SEH HONG**

*Independent Director*

Dr Ong was appointed to Dyna-Mac's Board on 8 February 2011. He is currently Senior Consultant Psychiatrist at Alexandra Healthgroup. Dr Ong was a Member of Parliament for the Marine Parade Group Representation Constituency from 2001 to 2011. Formerly, he was the Clinical Director and Chief Operating Officer of Ren Ci Hospital & Medicare Centre and Ren Ci Community Hospital and Vice President (Corporate Services) of GIC Special Investment Pte Ltd, a unit of the Government of Singapore Investment Corporation. Dr Ong obtained his MBBS from the National University of Singapore in 1987. He obtained a MRCPsych from The Royal College of Psychiatrist (UK) and FAMS from the Academy of Medicine, Singapore in 1994 and 1997 respectively. Dr Ong also obtained a Master of Science (Applied Finance) Degree from the National University of Singapore in 1999. Dr Ong also sits on the board of other SGX-listed companies.



**MR CHIA HOCK CHYE MICHAEL**

*Non-executive Director (appointed on 8 November 2012)*

Currently holding the position of Managing Director (Marine) of Keppel Offshore & Marine Ltd, Mr Chia oversees Keppel O & M's Marine Division which includes Keppel Shipyard, Keppel Singmarine and other marine-related overseas yards. Concurrently Mr Chia serves as Director, Group Strategy & Development of Keppel Corporation Ltd, Managing Director (Technology) of Keppel Offshore & Marine Ltd, and Managing Director of Keppel Offshore Technology Centre. A Colombo Plan scholar (1974), Mr Chia possesses a first class honours degree in Bachelor of Science from the University of Newcastle-Upon-Tyne, U.K. in Naval Architecture & Shipbuilding and a Masters in Business Administration (1987) from the National University of Singapore. He also possesses a Graduate Certificate in International Arbitration (2005) from the National University of Singapore. Mr Chia served in various senior management positions with experience in Corporate Development, Engineering, Operations and Commercial. Mr Chia is appointed as Chairman of Singapore Maritime Foundation (SMF) from 1 Jan 2010 and served as Board member of SMF since 2005. Mr Chia was formerly President of the Association of Singapore Marine Industries (ASMI) from June 2005 to May 2009. He was a member of Ngee Ann Polytechnic Council from April 2006 to 31 March 2012.

**MR WONG NGIAM JIH**

*Alternate Director to Mr Chia Hock Chye Michael (appointed on 2 September 2013)*

Mr Wong was appointed as an alternate director to Mr Chia Hock Chye Michael in September 2013. He is currently the Chief Financial Officer of Keppel Offshore & Marine Ltd. Prior to his current appointment, Mr Wong held various positions within the Keppel Group of companies in a span of over 37 years. He is also a director of a number of companies in the Keppel Group, including Keppel Nantong Shipyard Co. Ltd., Keppel Singmarine Pte Ltd, and Keppel Smit Towage Pte Ltd. Mr Wong holds a Bachelor of Business Administration degree from the National University of Singapore.



# Executive Officers



## **MS TIONG SAI LAN JOYCE**

### *Chief Financial Officer*

Ms Tiong joined the Group as Chief Financial Officer in 2006 and is responsible for the finance, corporate development, payroll and information & technology functions of the Group. Prior to Dyna-Mac, Ms Tiong held managerial roles in accounting and finance for various companies. She has been a member of the Institute of Singapore Chartered Accountants since 1999 and has obtained fellow membership of the Association of Chartered Certified Accountants in 2002. Ms Tiong completed the Executive Education Programme for Driving Corporate Performance with the Harvard Business School in 2012.



## **MR LOH NYEN FOH PETER**

### *Vice-President (Overseas Projects & Services)*

With over 15 years of experience in the marine engineering industry, Mr Loh is responsible for the Group's overseas projects and services. He first joined the Group in 2008 and left for BW Offshore in 2011 as a Construction Manager in charge of topside modules. He returned to the Group in March 2012 to take up his then role as Vice-President (Operations Affairs). Mr Loh was re-designated as Vice-President (Overseas Projects & Services) in February 2014. Prior to Dyna-Mac, Mr Loh gained valuable experience from engineering companies and shipyards including Rotary Engineering Pte Ltd, Singapore Technologies Marine Pte Ltd and Sembawang Shipyard Pte Ltd, where he spent 8 years. Mr Loh holds a Diploma in Marine Engineering from the Singapore Polytechnic.



## **MR ONG CHEE TIONG TONY**

### *Vice-President (Operations)*

Mr Ong joined the Group in January 2014 as Vice-President (Operations) and is responsible for production and project operations in our Singapore yards. Mr Ong has over 20 years of experiences in the oil and gas industries with prominent industry leaders such as Keppel FELS (Singapore), Marubeni, Rosetti Marino and I.M.Skaugen. His extensive working experience included a good ten years in overseas assignments in difficult operating countries such as Kazakhstan, Azerbaijan, Russia, Italy, and the United Arab Emirates. Mr Ong holds a Diploma in Ship Building and Offshore Engineering from the Ngee Ann Polytechnic.



**MR PARK YONG KAP**

*Vice-President (Commercial & Business Development)*

Mr Park joined the Group in June 2011 and was responsible for the business development, marketing and advertising activities of the Group. He was promoted to Vice-President (Commercial & Business Development) in Oct 2013 to oversee the commercial section as well. Mr Park brings with him almost 20 years of working experience, 17 of which were spent at the Geoje Shipyard, Seoul Headquarter, and the Singapore office of Samsung Heavy Industries Co., Ltd where he held key managerial roles in shipsales and marketing, commercial, technical and offshore business development. During his years at Samsung, Mr Park played an integral role in developing and maintaining harmonious working relationships with customers, most of whom are ship owners and oil and gas majors with a presence in South East Asia and Australia. Mr Park holds a Bachelor's Degree (Bsc) in Naval Architect from INHA University in Korea.



**MS CHONG SWEE LEE**

*Vice-President (Human Resource & Administration)*

Ms Chong joined the Group in February 2009 and is responsible for its human resources and office administrative functions. She has over 19 years of experience in human resources management including valuable experience in the areas of employee compensation and benefits. Prior to Dyna-Mac, she held managerial roles in human resources for various companies that included Hewitt HR Delivery Service Pte Ltd, SAP Asia Pte Ltd, A\*STAR (formerly known as the National Science and Technology Board), and Raffles International Limited. Ms Chong obtained her Bachelor of Business Administration degree from the National University of Singapore in 1991. She also has a Graduate Diploma in Personnel Management and a Diploma in Compensation and Benefits Management from the Singapore Institute of Management. Ms Chong is a Professional Member of Singapore Human Resource Institute.



**MR TAN JEE JIAR ANDREW**

*Vice-President (Corporate Health, Safety & Environment)*

Mr Tan joined the Group in January 2013 and is responsible for its health, safety, environment (HSE) and security functions. He is a seasoned HSE professional with more than 30 years of experience in the marine, offshore oil & gas, construction and manufacturing industries. His broad areas of specialization include shipyard safety and construction safety, covering civil engineering, building and tunneling and he had spent a significant number of years in project and facilities management. Mr Tan is also a passionate trainer in health & safety courses, having conducted part-time lectures at the local polytechnic. Additionally, he is a trainer for risk management and other safety courses for Ministry of Manpower (MOM) Accredited Training Providers (ATPs). In addition to being a MOM registered Workplace Safety & Health Officer, Mr Tan is also an approved Fire Safety Manager, CultureSAFE Consultant and Risk Consultant. He has been appointed as Technical Expert acting on behalf of the Singapore Accreditation Council and is also a member of the WG for GESSC of the Singapore Standards Council. Mr Tan holds a Master of Science Degree in Occupational Health & Safety from the University of New South Wales. To ensure professional relevance, he remains an active member of the Singapore Institution of Safety Officers.



**MR LEE POH TONG VINCENT**

*Vice-President (Procurement & Subcontracting)*

Mr Lee first joined the Group in 1997 and left in pursuit of his personal interest in June 2011. He returned to the Group in August 2013 to take up his current position as Vice-President (Procurement & Subcontracting). Mr Lee is responsible for the procurement and sub-contracting functions of the Group. Prior to Dyna-Mac, Mr Lee held various sales position with AGE Systems Machinery Pte Ltd, EPA Automation Pte Ltd, and Kong Shiang Engineering, focusing mainly in pneumatic components, pneumatic control and industrial automation systems.

# Corporate Information

## **DYNA-MAC HOLDINGS LTD.**

Company Registration Number:  
200305693E  
59 Gul Road  
Singapore 629354  
Tel: (65) 6762 5816  
Fax: (65) 6762 3465  
www.dyna-mac.com

## **BOARD OF DIRECTORS**

Mr Lim Tze Jong Desmond  
Executive Chairman and  
Chief Executive Officer

Mr Varghese John  
Executive Director and  
Chief Corporate and Technical Officer

Mr Lim Tjew Yok  
Executive Director and  
Chief Operating Officer

Mr Tan Soo Kiat  
Lead Independent Director

Dr Ong Seh Hong  
Independent Director

Mr Chia Hock Chye Michael  
Non-executive Director

Mr Teo Boon Hwee Simon  
Alternate Director to  
Mr Lim Tze Jong Desmond

Mr Wong Ngiam Jih  
Alternate Director to Mr Chia Hock Chye Michael  
(Appointed on 2 September 2013)

## **NOMINATING COMMITTEE**

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

## **REMUNERATION COMMITTEE**

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

## **AUDIT COMMITTEE**

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

## **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 BANKER**

Oversea-Chinese Banking  
Corporation Limited  
65 Chulia Road  
Singapore 049513

Standard Chartered Bank  
6 Battery Road  
Singapore 049909

## **AUDITOR**

PricewaterhouseCoopers LLP  
8 Cross Street  
#17-00, PWC Building  
Singapore 048424

Partner-in-charge:  
Daniel Khoo  
(appointed since 2011)

## **SOLICITOR**

RHT Law LLP  
6 Battery Road  
#10-01  
Singapore 049909

# Financial Report

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# Corporate Governance

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.

## 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 include:

1. Undertakes the strategic planning and setting of long-term objectives for the Group;
2. Approves major investment and funding decisions;
3. Establishes a framework of prudent and effective control systems and policies which enables risks to be assessed and managed;
4. Monitors financial performance of the Group;
5. Evaluates the performance and determines the compensation of key management personnel; and
6. Assumes responsibility for 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 limit, 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 an orientation and induction programme to familiarise new directors with its business and governance practices. 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.

Briefings and updates provided to the Board members of the Company in the financial year 2013 were:

- (a) at every AC meeting, the external auditor briefs the AC members on developments in accounting and governance standards; and
- (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.

# Corporate Governance

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 2013, four scheduled Board Meetings were held. Ad hoc meetings are held when circumstances required. 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 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 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.

## 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.

# Corporate Governance

## 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 management reports;
2. papers pertaining to matters requiring the Board's decision; and
3. 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.

## BOARD COMMITTEES

### Remuneration Committee

*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 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.

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

# Corporate Governance

## 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.

The remuneration of Directors of the Company for the financial year ended 31 December 2013 is set out below:

Remuneration band & name of directors of the Company	Directors' Fee %	Salary %	Variable Performance Related Bonus %	Allowances & Benefits %	Total %
<b>Above \$1,000,000:</b>					
Lim Tze Jong <sup>(1)</sup>	0%	86%	12%	2%	100%
<b>\$500,000 to \$999,999</b>					
Lim Tjew Yok <sup>(1)</sup>	0%	84%	16%	0%	100%
Varghese John	0%	81%	16%	3%	100%
Teo Boon Hwee	0%	84%	16%	0%	100%
<b>Below \$250,000</b>					
Tan Soo Kiat	100%	0%	0%	0%	100%
Ong Seh Hong	100%	0%	0%	0%	100%
Chia Hock Chye Michael	100%	0%	0%	0%	100%
Wong Ngiam Jih <sup>(2)</sup>	0%	0%	0%	0%	0%

The remuneration of the key executives of the Company for the financial year ended 31 December 2013 is set out below:

Remuneration band & name of directors of the Company	Directors' Fee %	Salary %	Variable Performance Related Bonus %	Allowances & Benefits %	Total %
<b>\$500,000 to \$999,999</b>					
Tiong Sai Lan	0%	83%	15%	2%	100%
<b>\$250,000 to \$499,999</b>					
Loh Nyen Foh Peter	0%	79%	19%	2%	100%
Park Yong Kap	0%	85%	15%	0%	100%
Chong Swee Lee	0%	82%	18%	0%	100%
Tan Jee Jiar Andrew <sup>(3)</sup>	0%	90%	10%	0%	100%
<b>Below \$250,000</b>					
Lee Poh Tong <sup>(4)</sup>	0%	100%	0%	0%	100%
Ong Chee Tiong <sup>(5)</sup>	0%	0%	0%	0%	0%

(1) Mr Lim Tze Jong and Mr Lim Tjew Yok are siblings.

(2) Mr Wong Ngiam Jih was appointed as alternate director to Mr Chia Hock Chye Michael on 2 September 2013.

(3) Mr Tan Jee Jiar Andrew joined the Group on 14 January 2013.

(4) Mr Lee Poh Tong joined the Group on 1 August 2013.

(5) Mr Ong Chee Tiong joined the Group on 20 January 2014.

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 2013.

# Corporate Governance

## Nominating Committee

*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 and 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 on going 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.

The 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 their abilities and time commitments and confirms annually to the Nominating Committee of their ability to devote sufficient time and attention to the Company's affairs having regards to his other commitments.

## **ACCOUNTABILITY AND AUDIT**

*Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

### Accountability

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.

### 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;
- (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;

# Corporate Governance

- (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 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 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 2013 was approximately S\$568,200, of which audit fees amounted to approximately S\$476,000 and non-audit fees amounted to approximately S\$92,200.

The AC recommended that PricewaterhouseCoopers LLP be nominated for re-appointment as auditors 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 whistleblower 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

## 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 non-compliance 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 FY2013 give a true and fair view of the Company's finances and that the company's risk management and internal control systems are effective.

## **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.

# Corporate Governance

## COMMUNICATION WITH 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) Communication 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 regular quarterly and full-year results are held for the media and the analysts.

### (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.

The Company does not specify a limit in the Articles on the number of proxy votes for nominee companies. However, there is a limit for the number of proxies for all shareholders to two. The Articles allow a member of the Company to appoint a proxy to attend and vote at general meetings. Separate resolutions on each distinct issue are tabled at general meetings.

### 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.

### Attendance at Board and Committee Meetings during the financial year ended 31 December 2013

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	3	4	3	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

# Interested Person Transactions

For the financial year ended 31 December 2013

The Company has established procedures whereby transactions with interested persons are reported in a timely manner to the AC so as to ensure compliance with the rules and regulations under Chapter 9 of the Singapore Exchange's Listing Manual.

The following interested person transactions took place between the Group and interested persons during the financial year at terms agreed by the parties concerned:

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 shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)	
	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
	\$'000	\$'000	\$'000	\$'000
<b>PURCHASES AND OTHER EXPENSES</b>				
<b>Transactions with L&amp;W United Engineering Pte. Ltd. ("L&amp;W")</b>				
Subcontracting services for steel and piping fabrication by L&W	1,899	2,528	-	-
<b>REVENUE</b>				
<b>Keppel Shipyard Limited</b>				
Fabrication of topside module	-	-	-	7,572
Other adhoc projects (other services)	-	-	-	796
<b>Keppel Subic Shipyard Inc</b>				
Fabrication of topside modues	-	-	14,065	-
<b>Keppel FELS Limited</b>				
Other adhoc projects (other services)	-	-	947	772

# Directors' Report

For the financial year ended 31 December 2013

The directors present their report 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 2013.

## 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, appointed on 2 September 2013)

## 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 31.12.2013	At 01.01.2013 or date of appointment, if later	At 31.12.2013	At 01.01.2013 or date of appointment, if later
<b>Company</b>				
<u>(No. of ordinary shares)</u>				
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	—	—

- (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 interest in the whole of the share capital of the Company's wholly-owned subsidiaries.
- (c) The directors' interests in the ordinary shares of the Company as at 21 January 2014 were the same as those as at 31 December 2013.

## Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Mr Chia Hock Chye Michael has an employment relationship with a company related to a corporate shareholder, and has received remuneration in that capacity.

# Directors' Report

For the financial year ended 31 December 2013

## Share options

No options were granted during the financial year ended 31 December 2013 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.

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 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;
- (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;

# Directors' Report

For the financial year ended 31 December 2013

## Audit Committee (continued)

- (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 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 2013 was approximately S\$568,200 of which audit fees amounted to approximately S\$476,000 and non-audit fees amounted to approximately S\$92,200.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

## Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

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Lim Tze Jong  
Director

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Varghese John  
Director

28 March 2014

# Statement by Directors

For the financial year ended 31 December 2013

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group set out on pages 33 to 75 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the year then ended; 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.

On behalf of the directors

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Lim Tze Jong  
Director

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Varghese John  
Director

28 March 2014

# Independent Auditor's Report

To the Shareholders of Dyna-Mac Holdings Ltd.

## Report on the Financial Statements

We have audited the accompanying financial statements of Dyna-Mac Holdings Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 33 to 75, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2013, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

## 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 subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants

Singapore, 28 March 2014

# Consolidated Statement Of Comprehensive Income

For the financial year ended 31 December 2013

	Notes	Group	
		2013 \$'000	2012 \$'000
Revenue	4	269,351	215,286
Cost of sales	5	(203,508)	(158,624)
Gross profit		65,843	56,662
Other (losses) / gains - net	7	(81)	3,119
Expenses			
- Administrative	5	(29,793)	(26,281)
- Finance	8	(325)	(167)
Share of loss of an associated company	17	(61)	*
Profit before income tax		35,583	33,333
Income tax expense	9(a)	(4,933)	(4,953)
<b>Net profit</b>		<b>30,650</b>	<b>28,380</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		(308)	151
<b>Total comprehensive income, net of tax</b>		<b>30,342</b>	<b>28,531</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		28,686	28,380
Non-controlling interest		1,964	-
		<b>30,650</b>	<b>28,380</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		28,456	28,531
Non-controlling interest		1,886	-
		<b>30,342</b>	<b>28,531</b>
<b>Earnings per share attributable to equity holders of the Company (SGD cents per share)</b>			
- Basic/diluted	26	2.80	3.00

\* Amount is less than \$1,000

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

# Balance Sheets

As at 31 December 2013

	Notes	Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	10	61,451	62,646	412	1,016
Trade and other receivables	11	156,336	92,263	135,736	140,769
Derivative financial instruments	12	66	318	–	–
Inventories	13	995	566	–	–
Construction contracts	14	5,215	504	–	–
Other current assets	15	1,170	2,675	12	11
		<b>225,233</b>	<b>158,972</b>	<b>136,160</b>	<b>141,796</b>
<b>Non-current assets</b>					
Club memberships		407	407	–	–
Investments in subsidiaries	16	–	–	30,775	25,476
Investment in an associated company	17	–	63	–	–
Investment properties	18	–	–	–	–
Property, plant and equipment	19	118,921	100,030	–	–
Goodwill	20	5,556	5,556	–	–
Deferred income tax assets	21	1,400	–	–	–
		<b>126,284</b>	<b>106,056</b>	<b>30,775</b>	<b>25,476</b>
<b>Total assets</b>		<b>351,517</b>	<b>265,028</b>	<b>166,935</b>	<b>167,272</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Current income tax liabilities	9(b)	8,168	7,550	–	–
Derivative financial instruments	12	382	–	–	–
Trade and other payables	22	110,600	67,460	296	319
Borrowings	23	35,488	447	–	–
		<b>154,638</b>	<b>75,457</b>	<b>296</b>	<b>319</b>
<b>Non-current liabilities</b>					
Borrowings	23	239	462	–	–
Deferred income tax liabilities	21	2,119	4,619	–	–
		<b>2,358</b>	<b>5,081</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>		<b>156,996</b>	<b>80,538</b>	<b>296</b>	<b>319</b>
<b>NET ASSETS</b>		<b>194,521</b>	<b>184,490</b>	<b>166,639</b>	<b>166,953</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	25	145,271	145,271	145,271	145,271
Foreign currency translation reserve		(113)	117	–	–
Retained profits		47,324	39,102	21,368	21,682
		<b>192,482</b>	<b>184,490</b>	<b>166,639</b>	<b>166,953</b>
Non-controlling interest		2,039	–	–	–
<b>Total equity</b>		<b>194,521</b>	<b>184,490</b>	<b>166,639</b>	<b>166,953</b>

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

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2013

		← Attributable to equity holders of the Company →					
Notes	Share capital \$'000	Retained profits \$'000	Foreign currency translation reserve* \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000	
<b>31 December 2013</b>							
<b>Beginning of financial year</b>							
	145,271	39,102	117	184,490	–	184,490	
Capital contribution from non-controlling interest	–	–	–	–	153	153	
Dividend relating to the financial year ended 31 December 2012 paid	27	–	(20,464)	–	(20,464)	–	
Total comprehensive income for the year		28,686	(230)	28,456	1,886	30,342	
<b>End of financial year</b>	<b>145,271</b>	<b>47,324</b>	<b>(113)</b>	<b>192,482</b>	<b>2,039</b>	<b>194,521</b>	
<b>31 December 2012</b>							
<b>Beginning of financial year</b>							
	99,603	15,373	(34)	114,942	–	114,942	
Dividend relating to the seven months financial period ended 31 December 2011 paid	27	–	(4,651)	–	(4,651)	–	
Total comprehensive income for the year		28,380	151	28,531	–	28,531	
Issue of new shares	25	46,509	–	–	46,509	–	
Share issue expenses	25	(841)	–	–	(841)	–	
<b>End of financial year</b>	<b>145,271</b>	<b>39,102</b>	<b>117</b>	<b>184,490</b>	<b>–</b>	<b>184,490</b>	

\* Foreign currency translation reserve is 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 2013

		Group	
	Notes	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
Net profit		30,650	28,380
Adjustments for:			
- Income tax expense	9(a)	4,933	4,953
- Depreciation of property, plant and equipment	19	8,172	6,899
- Gain on disposal of property, plant and equipment	7	-	(94)
- Write-off of property, plant and equipment	7	-	1,011
- Interest income	7	(365)	(189)
- Interest expense	8	325	167
- Fair value gain on investment properties	7	-	(2,000)
- Fair value loss/(gain) on derivative financial instruments		634	(390)
- Share of loss of an associated company		61	*
- Unrealised currency translation (gain)/loss		(118)	37
		44,292	38,774
Changes in working capital:			
- Trade and other receivables		(64,073)	(55,438)
- Construction contract work-in-progress		(4,711)	212
- Inventories		(429)	877
- Other current assets		1,505	175
- Trade and other payables		43,140	26,261
Cash generated from operations		19,724	10,861
Interest received		365	189
Income tax paid	9(b)	(8,215)	(989)
<b>Net cash provided by operating activities</b>		11,874	10,061
<b>Cash flows from investing activities</b>			
- Acquisition of a subsidiary, net of cash acquired		-	(1,355)
- Additions to property, plant and equipment		(27,098)	(16,023)
- Proceeds from disposal of property, plant and equipment		-	167
- Increase in bank deposits with maturity more than 3 months		(10,480)	(10,000)
<b>Net cash used in investing activities</b>		(37,578)	(27,211)

\* Amount is less than \$1,000

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

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

	Notes	Group 2013 \$'000	2012 \$'000
<b>Cash flows from financing activities</b>			
- Proceeds from borrowings		34,972	–
- Proceeds from finance lease liabilities		317	1,106
- Repayment of lease liabilities		(471)	(518)
- Proceeds from issuance of ordinary shares		–	46,509
- Share issue expenses		–	(841)
- Interest expense paid	8	(325)	(167)
- Dividends paid to equity holders of the Company	27	(20,464)	(4,651)
<b>Net cash provided by financing activities</b>		<b>14,029</b>	41,438
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(11,675)</b>	24,288
<b>Cash and cash equivalents</b>			
Beginning of financial year		42,646	18,207
Effects of currency translation on cash and cash equivalents		–	151
End of financial year	10	<b>30,971</b>	42,646

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

# Notes to Financial Statements

For the financial year ended 31 December 2013

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 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.

### 2.2 Revenue recognition

Revenue comprise 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 2.7.

#### (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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.3 Group accounting

#### (a) Subsidiaries

##### (i) Consolidation

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated 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 are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. Non-controlling interests are recognised to the extent the risks and rewards of ownership of those shares remain with them. 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.

##### (ii) Acquisitions

The acquisition method of accounting is used to account for business combinations 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 the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

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 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 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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.3 Group accounting (continued)

#### (a) Subsidiaries (continued)

##### (iii) Disposals (continued)

Any retained 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 and associated company" 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.

#### (c) Associated company

Associated company is an entity, over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

##### (i) Acquisitions

Investments in associated company is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated company represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

##### (ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated company's post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated company is adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated company have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

##### (iii) Disposals

Gains and losses arising from partial disposals or dilutions in investments in associated company in which significant influence is retained are recognised in profit or loss.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.3 Group accounting (continued)

#### (c) Associated company (continued)

##### (iii) Disposals (continued)

Investments in associated company is derecognised when the Group loses significant influence. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph “Investments in subsidiaries and associated company” for the accounting policy on investments in associated company in the separate financial statements of the Company.

### 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:

	<u>Useful lives</u>
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 net disposal proceeds and its carrying amount is recognised in profit or loss within “Other gains / losses - net”.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.5 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 and joint ventures is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

### 2.6 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.

### 2.7 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.

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 are included within "trade and other payables".

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.8 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 the face of the balance sheet.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvement is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

### 2.9 Investments in subsidiaries and associated company

Investments in subsidiaries and associated company 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 and associated company

Property, plant and equipment and investments in subsidiaries and associated company are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.10 Impairment of non-financial assets (continued)

#### (b) Property, plant and equipment Investments in subsidiaries and associated company (continued)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss 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 11) and "cash and bank balances" (Note 10) on the balance sheet.

#### (b) Recognition and derecognition

Financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset and 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 except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

#### (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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.11 Financial assets (continued)

#### (d) Impairment (continued)

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.

#### (e) 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.

### 2.12 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.

### 2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided 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). If not, 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.

### 2.14 Derivative financial instruments

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.

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.

The carrying amount of a derivative 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.

### 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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.15 Fair value estimation of financial assets and liabilities (continued)

The fair values of currency forward contracts 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 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.

##### (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 and investment properties 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.

### 2.17 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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.18 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.

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.

### 2.19 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.

### 2.20 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.

### 2.21 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 Financial Statements

For the financial year ended 31 December 2013

## 2. Significant accounting policies (continued)

### 2.21 Currency translation (continued)

#### (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 cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains / losses - net".

#### (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 the currency translation 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.

### 2.22 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.

### 2.23 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.

### 2.24 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.

### 2.25 Dividends to Company's shareholders

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

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 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 14.

## 4. Revenue

	Group	
	2013	2012
	\$'000	\$'000
Module business	172,991	164,009
Ad-hoc projects	96,360	51,277
<b>Total Revenue</b>	<b>269,351</b>	<b>215,286</b>

## 5. Expenses by nature

	Group	
	2013	2012
	\$'000	\$'000
Sub-contractors charges	110,666	72,669
Materials	44,982	44,495
Direct overheads	40,301	35,944
Rental of sites	7,559	5,516
Employee compensation (Note 6)	18,305	16,021
Depreciation of property, plant and equipment	1,909	1,539
Transportation and travelling	1,818	1,329
Legal and professional fees	962	1,084
Entertainment and refreshment	177	954
Property tax	1,023	850
Insurance	886	803
Advertising and marketing expenses	860	829
Other expenses	3,853	2,872
Total cost of sales and administrative expenses	<b>233,301</b>	<b>184,905</b>

Included in the direct overhead expenses is depreciation of property, plant and equipment directly used in the projects amounting to \$6,263,000 (2012: \$5,360,000).

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 6. Employee compensation

	Group	
	2013 \$'000	2012 \$'000
Wages and salaries	14,652	13,415
Employer's contribution to defined contribution plans	1,258	955
Other short-term benefits	2,395	1,651
	<b>18,305</b>	<b>16,021</b>

## 7. Other (losses) / gains - net

	Group	
	2013 \$'000	2012 \$'000
Other income:		
Interest income - bank deposits	365	189
Rental income		
- Warehouse, office and container	1,529	489
- Investment properties	-	53
Government Grant	19	12
Others	(455)	(33)
	<b>1,458</b>	<b>710</b>
Other (losses)/gains - net		
Fair value gain on investment properties (Note 18)	-	2,000
Reimbursements from customer	-	422
Gain on disposal of property, plant and equipment	-	94
Write-off of property, plant and equipment	-	(1,011)
Fair value (loss)/gain on derivative financial instruments	(1,307)	1,954
Foreign exchange losses, net	(232)	(1,050)
	<b>(1,539)</b>	<b>2,409</b>
<b>Total other (losses)/gains - net</b>	<b>(81)</b>	<b>3,119</b>

## 8. Finance expenses

	Group	
	2013 \$'000	2012 \$'000
Interest expense		
- Bank borrowings	301	138
- Finance lease liabilities	24	29
	<b>325</b>	<b>167</b>

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 9. Income taxes

### (a) Income tax expense

	Group	
	2013	2012
	\$'000	\$'000
Tax expense attributable to profit is made up of:		
- Current income tax	5,951	4,860
- Deferred income tax (Note 21)	<b>(1,328)</b>	(203)
	<b>4,623</b>	4,657
Under/(over) provision in prior financial years:		
- Current income tax	2,882	296
- Deferred income tax (Note 21)	<b>(2,572)</b>	–
	<b>4,933</b>	4,953

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

	Group	
	2013	2012
	\$'000	\$'000
Profit before income tax	<b>35,583</b>	33,333
Tax calculated at rate of 17% (2012: 17%)	<b>6,049</b>	5,667
Effects of		
- Different tax rates in other countries	<b>(1,296)</b>	–
- Expenses not deductible for tax purposes	<b>659</b>	500
- Income not subject to tax	<b>(600)</b>	(480)
- Tax incentives	<b>(153)</b>	(1,004)
- Partial tax exemption	<b>(36)</b>	(26)
Tax charge	<b>4,623</b>	4,657

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

### (b) Movements in current income tax liabilities

	Group	
	2013	2012
	\$'000	\$'000
Beginning of financial year	7,550	2,893
Acquisition of a subsidiary	–	497
Currency translation difference	*	(7)
Income tax paid	<b>(8,215)</b>	(989)
Under provision in prior financial year	2,882	–
Tax expense	<b>5,951</b>	5,156
End of financial year	<b>8,168</b>	7,550

\* Amount is less than \$1,000

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 10. Cash and bank balances

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash at bank and on hand	30,971	42,646	412	1,016
Short-term bank deposits	30,480	20,000	-	-
	<b>61,451</b>	<b>62,646</b>	<b>412</b>	<b>1,016</b>

For the purpose of presenting the consolidated statement of cash flows, cash and bank balances comprise the following:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash and bank balances (as above)	61,451	62,646	412	1,016
Less: Bank deposits with maturity more than 3 months	(30,480)	(20,000)	-	-
Cash and cash equivalents per consolidated statement of cash flows	<b>30,971</b>	<b>42,646</b>	<b>412</b>	<b>1,016</b>

Short-term bank deposits are pledged in relation to the security granted for the Group's borrowings (Note 23).

## 11. Trade and other receivables

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade receivables				
- Non-related parties	79,580	24,821	-	-
- Related parties	748	3,515	-	-
Trade receivables - net	<b>80,328</b>	<b>28,336</b>	<b>-</b>	<b>-</b>
Construction contracts				
- Due from customers (Note 14)	72,773	62,891	-	-
Dividend receivable	-	-	21,000	20,000
Advances to subsidiaries	-	-	114,700	120,769
Staff loans	105	107	-	-
Other receivables	3,130	929	36	-
	<b>156,336</b>	<b>92,263</b>	<b>135,736</b>	<b>140,769</b>

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

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 12. Derivative financial instruments

	← Group →		
	Contract notional Amount US\$'000	Fair value	
		Asset \$'000	Liability \$'000
<b>2013</b>			
Non-hedging instruments			
- Currency forwards	38,289	66	382
<b>2012</b>			
Non-hedging instruments			
- Currency forwards	50,916	318	-

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. Fair value changes arising on the forward currency contracts are recognised in profit or loss when the changes arise.

## 13. Inventories

	Group	
	2013 \$'000	2012 \$'000
Steel and consumables	995	566

The cost of materials recognised as an expense and included in "cost of sales" amounts to \$76,700 (2012: \$79,000).

## 14. Construction contracts

	Group	
	2013 \$'000	2012 \$'000
<i>Construction contract work-in-progress:</i>		
Beginning of financial year	504	716
Contract costs incurred	208,219	158,412
Contract expenses recognised in profit or loss	(203,508)	(158,624)
End of financial year	5,215	504
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	301,347	216,391
Less: Progress billings	(228,574)	(153,500)
	72,773	62,891
Presented as:		
Due from customers on construction contracts (Note 11)	72,773	62,891
Advances received on construction contracts (Note 22)	32,175	1,031

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 15. Other current assets

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deposits	826	1,497	-	-
Prepayments	344	1,178	12	11
	<b>1,170</b>	<b>2,675</b>	<b>12</b>	<b>11</b>

## 16. Investments in subsidiaries

	Company	
	2013 \$'000	2012 \$'000
Equity investments at cost	<b>30,775</b>	25,476

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

## 17. Investment in an associated company

	Group	
	2013 \$'000	2012 \$'000
Beginning of financial year	63	63
Share of losses	(61)	*
Currency translation differences	(2)	-
End of financial year	<b>-</b>	<b>63</b>

The summarised financial information of the associated company not adjusted for the ownership interest held by the Group for the prior financial year was as follows:

	Group	
	2013 \$'000	2012 \$'000
Assets	2	191
Liabilities	-	-
Revenue	-	-
Net loss	<b>(189)</b>	<b>*</b>

\* Amount is less than \$1,000

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

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 18. Investment properties

	Group	
	2013	2012
	\$'000	\$'000
Beginning of financial year	-	12,000
Fair value gain recognised in profit or loss (Note 7)	-	2,000
Transfer to property, plant and equipment (Note 19)	-	(14,000)
End of financial year	-	-

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 market 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.

The following amounts are recognised in profit and loss:

	Group	
	2013	2012
	\$'000	\$'000
Rental income (Note 7)	-	53
Direct operating expenses arising from:		
- Investment properties that generated rental income	-	(88)

Investment properties were transferred to property, plant and equipment as at 31 December 2012 in the consolidated financial statements as the Group intends to hold the properties for its own use.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 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	Site building, equipment and yard improvement under construction \$'000	Total \$'000
<b>Group</b>								
<b>2013</b>								
<i>Cost</i>								
Beginning of financial year	28,340	4,846	2,504	69,694	27,429	2,501	1,902	137,216
Currency translation differences	–	1	(1)	(2)	(54)	(1)	22	(35)
Additions	5,795	333	1,307	9,341	3,520	845	5,957	27,098
End of financial year	34,135	5,180	3,810	79,033	30,895	3,345	7,881	164,279
<i>Accumulated depreciation</i>								
Beginning of financial year	1,258	2,114	1,682	13,159	18,037	936	–	37,186
Charge for the financial year	1,082	433	539	3,337	2,327	454	–	8,172
End of financial year	2,340	2,547	2,221	16,496	20,364	1,390	–	45,358
<b>Net book value</b>								
End of financial year	31,795	2,633	1,589	62,537	10,531	1,955	7,881	118,921
<b>2012</b>								
<i>Cost</i>								
Beginning of financial year	933	3,502	1,676	60,840	19,545	1,828	19,612	107,936
Currency translation differences	–	*	*	(5)	(15)	(1)	(22)	(43)
Acquisition of subsidiary	–	4	6	183	524	49	–	766
Additions	2,167	430	807	875	3,200	747	7,797	16,023
Transfer	11,240	1,898	15	7,801	4,175	–	(25,129)	–
Transfer from investment properties	14,000	–	–	–	–	–	–	14,000
Write-off	–	(988)	–	–	–	–	(356)	(1,344)
Disposals	–	–	–	–	–	(122)	–	(122)
End of financial year	28,340	4,846	2,504	69,694	27,429	2,501	1,902	137,216
<i>Accumulated depreciation</i>								
Beginning of financial year	725	2,078	1,428	10,287	15,511	639	–	30,668
Charge for the financial year	533	368	254	2,872	2,526	346	–	6,899
Write-off	–	(332)	–	–	–	–	–	(332)
Disposals	–	–	–	–	–	(49)	–	(49)
End of financial year	1,258	2,114	1,682	13,159	18,037	936	–	37,186
<b>Net book value</b>								
End of financial year	27,082	2,732	822	56,535	9,392	1,565	1,902	100,030

\* Amount is less than \$1,000

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 19. Property, plant and equipment (continued)

Included in additions in the consolidated financial statements are motor vehicles and site equipment and tools acquired under finance leases amounting to \$610,000 (2012: \$748,000) and \$nil (2012: \$840,000) respectively.

The carrying amounts of motor vehicles, and site equipment and tools held under finance leases are \$1,332,000 (2012: \$1,031,000) and \$456,000 (2012: \$726,000) respectively at the balance sheet date.

## 20. Goodwill

	Group	
	2013	2012
	\$'000	\$'000
Cost		
Beginning of financial year	5,556	–
Acquisition of subsidiary (Note 34(c))	–	5,556
End of financial year	<u>5,556</u>	<u>5,556</u>
Cost	5,556	5,556
Accumulated impairment	–	–
Net book value	<u>5,556</u>	<u>5,556</u>

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 one year were extrapolated based on consistent margins and using an estimated growth rate which does not exceed the long-term growth rate of the market in which the CGU is based. The discount rate of 8% applied was consistent with other companies in similar industry segment. Based on management's impairment assessment of the CGU as at 31 December 2013, no impairment on goodwill was recognised.

## 21. 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	
	2013	2012
	\$'000	\$'000
<b>Deferred income tax assets</b>		
- To be recovered after one year	<u>1,400</u>	–
<b>Deferred income tax liabilities</b>		
- To be settled within one year	409	147
- To be settled after one year	<u>1,710</u>	<u>4,472</u>
	<u>2,119</u>	<u>4,619</u>

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 \$5,600,000 arising from a subsidiary 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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 21. Deferred income taxes (continued)

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

	Group	
	2013	2012
	\$'000	\$'000
<i>Deferred income tax assets</i>		
<u>Tax losses</u>		
Beginning of financial year	-	-
Tax credited to profit or loss (Note 9(a))	1,400	-
End of financial year	<u>1,400</u>	<u>-</u>
<i>Deferred income tax liabilities</i>		
<u>Accelerated tax depreciation</u>		
Beginning of financial year	4,619	4,822
Tax charged/(credited) to profit or loss (Note 9(a))	72	(203)
Overprovision in preceding financial year (Note 9(a))	(2,572)	-
End of financial year	<u>2,119</u>	<u>4,619</u>

## 22. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Trade payables to:				
- Non-related parties	59,261	54,468	*	-
Construction contracts				
- Advances received (Note 14)	32,175	1,031	-	-
	<u>32,175</u>	<u>1,031</u>	<u>-</u>	<u>-</u>
Non-trade amounts due to:				
- An associated company	-	21	*	-
- A director	369	369	-	-
	<u>369</u>	<u>390</u>	<u>-</u>	<u>-</u>
Consideration payable (Note 33(h))	1,500	1,500	-	-
Other payables	4,962	4,093	104	135
Accrual for operating expenses	12,333	5,978	192	184
	<u>110,600</u>	<u>67,460</u>	<u>296</u>	<u>319</u>

\* Amount is less than \$1,000

The non-trade amounts due to an associated company and a director are unsecured, interest-free and are repayable on demand.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 23. Borrowings

	Group	
	2013	2012
	\$'000	\$'000
<i>Current</i>		
Bank borrowings	34,972	–
Finance lease liabilities (Note 24)	516	447
	<u>35,488</u>	<u>447</u>
<i>Non-current</i>		
Finance lease liabilities (Note 24)	239	462
Total borrowings	<u>35,727</u>	<u>909</u>

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	
	2013	2012
	\$'000	\$'000
6 months or less	<u>34,972</u>	–

Bank borrowings are secured short-term bank deposits of the Group, and by deeds of guarantee and indemnity from the Company. The weighted average effective interest rate on bank borrowings at balance sheet date is 1.77% per annum.

## 24. 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	
	2013	2012
	\$'000	\$'000
Minimum lease payments due		
- Not later than one year	533	469
- Between one and five years	247	471
	<u>780</u>	<u>940</u>
Less: Future finance charges	(25)	(31)
Present value of finance lease liabilities	<u>755</u>	<u>909</u>

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 24. Finance lease liabilities (continued)

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

	Group	
	2013 \$'000	2012 \$'000
- Not later than one year	516	447
- Between one and five years	239	462
	<b>755</b>	<b>909</b>

The carrying amounts of finance lease liabilities approximate their fair value at balance sheet date.

## 25. Share capital

	No. of ordinary shares	Amount \$'000
<u>Group and Company</u>		
<b>2013</b>		
Beginning and end of financial year	<b>1,023,211,000</b>	145,271
<b>2012</b>		
Beginning of financial year	930,192,000	99,603
Shares issued pursuant to share placement	93,019,000	46,509
Share issue expenses	-	(841)
End of financial year	<b>1,023,211,000</b>	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.

## 26. Earnings per share

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

	Group	
	2013 \$'000	2012 \$'000
Net profit attributable to equity holders of the Company (\$'000)	28,686	28,380
Weighted average number of ordinary shares outstanding ('000)	1,023,211	945,695
Basic/diluted earnings per share (cents per share)	<b>2.80</b>	3.00

The Company has no ordinary shares with dilutive potential.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 27. Dividends

	Group	
	2013	2012
	\$'000	\$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 2 (2012: 0.5) cents per share	<u>20,464</u>	<u>4,651</u>

Dividends of \$20,464,220 relates to the dividends declared for the financial year ended 31 December 2012 and paid during the financial year ended 31 December 2013.

At the Annual General Meeting on 25 April 2014, a final dividend of 2 cents per share amounting to \$20,464,220 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2014.

## 28. Commitments

### (a) Capital commitments

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

	Group	
	2013	2012
	\$'000	\$'000
Property, plant and equipment	<u>5,448</u>	<u>113</u>

### (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.

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	
	2013	2012
	\$'000	\$'000
Not later than one year	7,724	6,231
Between one and five years	14,692	16,951
Later than five years	34,171	36,766
	<u>56,587</u>	<u>59,948</u>

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 28. Commitments (continued)

### (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	
	2013	2012
	\$'000	\$'000
Not later than one year	-	205

## 29. Contingent liabilities

Weir LGE Process ("WLGE") had engaged Dyna-Mac Engineering Services Pte Ltd ("DMES") as sub-contractor to carry out fabrication works for four refrigeration skids. DMES is now alleging breach of contract by WLGE, and is claiming for the sum of US\$3,039,344 (i.e. approximates S\$4,271,494) for work carried out and completed by DMES.

WLGE has denied that it is in breach and has alleged that DMES was in breach of contract by failing to complete 2 remaining skids, and has indicated its claim for breach of contract and costs of repairs to the completed skids as £1,460,094 (i.e. approximates S\$2,941,213). Both parties have indicated their intention for arbitration, but neither party has initiated arbitration under the International Chamber of Commerce.

At the date of this report, the directors are of the view that no contingent liabilities and assets should be recognised in respect of these legal claims as the outcome of the respective claims are uncertain.

## 30. 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.

### (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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 30. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD \$'000	USD \$'000	RMB \$'000	Other \$'000	Total \$'000
<b>2013</b>					
<b>Financial assets</b>					
Cash and bank balances	58,019	727	2,032	673	61,451
Trade and other receivables	120,076	24,436	162	11,662	156,336
Deposits	530	–	–	296	826
	<u>178,625</u>	<u>25,163</u>	<u>2,194</u>	<u>12,631</u>	<u>218,613</u>
<b>Financial liabilities</b>					
Trade and other payables*	(62,672)	2,431	(7,198)	(10,986)	(78,425)
Bank borrowings	(34,972)	–	–	–	(34,972)
Finance lease liabilities	(755)	–	–	–	(755)
	<u>(98,399)</u>	<u>2,431</u>	<u>(7,198)</u>	<u>(10,986)</u>	<u>(114,152)</u>
<b>Net financial assets</b>	<u>80,226</u>	<u>27,594</u>	<u>(5,004)</u>	<u>1,645</u>	<u>104,461</u>
Add: Expected progress billings in foreign currencies	–	197,119	–	–	197,119
Less: Currency forwards	–	(48,690)	–	–	(48,690)
<b>Currency profile of financial assets/(liabilities)</b>	<u>80,226</u>	<u>176,023</u>	<u>(5,004)</u>	<u>1,645</u>	<u>252,890</u>
<b>2012</b>					
<b>Financial assets</b>					
Cash and bank balances	51,505	10,382	531	228	62,646
Trade and other receivables	82,748	9,429	51	35	92,263
Deposits	323	–	905	269	1,497
	<u>134,576</u>	<u>19,811</u>	<u>1,487</u>	<u>532</u>	<u>156,406</u>
<b>Financial liabilities</b>					
Trade and other payables*	(62,203)	(48)	(3,066)	(1,112)	(66,429)
Finance lease liabilities	(909)	–	–	–	(909)
	<u>(63,112)</u>	<u>(48)</u>	<u>(3,066)</u>	<u>(1,112)</u>	<u>(67,338)</u>
<b>Net financial assets</b>	<u>71,464</u>	<u>19,763</u>	<u>(1,579)</u>	<u>(580)</u>	<u>89,068</u>
Add: Expected progress billings in foreign currencies	–	42,649	–	–	42,649
Less: Currency forwards	–	(62,193)	–	–	(62,193)
<b>Currency profile of financial assets/(liabilities)</b>	<u>71,464</u>	<u>219</u>	<u>(1,579)</u>	<u>(580)</u>	<u>69,524</u>

\* Excludes advances received on construction contracts.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 30. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

If the USD and RMB change against the SGD by 5% (2012: 5%) with all other variables including tax rate being held constant, the effects to the Group's net profit arising from the net financial liability/asset position at balance sheet date will be as follows:

	Group	
	2013	2012
	\$'000	\$'000
USD against SGD		
- Strengthened	7,305	9
- Weakened	(7,305)	(9)
RMB against SGD		
- Strengthened	(208)	(66)
- Weakened	208	66

#### (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% during the year with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by \$148,000 as a result of higher/lower interest expense on these borrowings.

The Group and the Company has no significant interest-bearing assets and borrowings as at 31 December 2012.

### (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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 30. Financial risk management (continued)

### (b) Credit risk (continued)

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

	Group	
	2013	2012
	\$'000	\$'000
<u>By types of customers</u>		
Related parties	748	3,515
Non-related parties - Multi-national companies	79,580	24,821
	<b>80,328</b>	<b>28,336</b>

The trade receivables of the Group comprise 8 debtors (2012: 5 debtors) that represented 80% (2012 : 95%) 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.

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

	Group	
	2013	2012
	\$'000	\$'000
Past due 0 to 3 months	40,513	8,337
Past due 3 to 6 months	111	127
Past due over 6 months	1,658	2,529
	<b>42,282</b>	<b>10,993</b>

	Group	
	2013	2012
	\$'000	\$'000
Beginning of financial year	-	166
Allowance utilised	-	(166)
End of financial year	-	-

The impaired trade receivables arise mainly from construction revenue for specific customers which have defaulted payments and are no longer contactable. The Group has ceased services to these customers.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 30. Financial risk management (continued)

### (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
<u>Group</u>		
<b>2013</b>		
Trade and other payables*	78,425	–
Finance lease liabilities	533	247
	<b>78,958</b>	<b>247</b>
<b>2012</b>		
Trade and other payables*	66,429	–
Finance lease liabilities	469	471
	<b>66,898</b>	<b>471</b>

\* Excludes advances received on construction contracts

	Less than 1 year \$'000
<u>Company</u>	
<b>2013</b>	
Trade and other payables	296
<b>2012</b>	
Trade and other payables	319

### (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.

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 2013 and 2012 are to maintain a gearing ratio of not exceeding 50%.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 30. Financial risk management (continued)

### (d) Capital risk (continued)

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Total debt	35,727	909	–	–
Total equity	194,521	184,490	166,639	166,953
Total capital	230,248	185,399	166,639	166,953
<b>Gearing ratio</b>	<b>16%</b>	*	*	*

\* Less than 1%

### (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
<u>Group</u>	
<b>2013</b>	
Assets	
Derivative financial instruments	66
<b>Liabilities</b>	
Derivative financial instruments	382
<b>2012</b>	
<b>Assets</b>	
Derivative financial instruments	318

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

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 30. Financial risk management (continued)

### (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 22, except for the following:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Loans and receivables	218,613	154,909	136,148	141,785
Financial liabilities at amortised cost	35,727	909	-	-

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

## 31. Related parties transactions

### (a) Sales and purchases of goods and services

	Group	
	2013 \$'000	2012 \$'000
Sub-contracting services from other related parties	(1,899)	(2,528)
Fabrication of topside modules and other ad-hoc projects to other related parties	15,012	9,140

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 2013, arising from transactions with other related parties, are unsecured and recoverable/payable within 12 months from balance sheet date and are disclosed in Note 11 and 22 respectively.

Outstanding commitments as at 31 December 2013, arising from transactions with other related parties, include \$2,017,000 for purchases of its sub-contracting services.

### (b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	2013 \$'000	2012 \$'000
<b>Directors</b>		
Wages and salaries	3,097	2,850
Employer's contribution to defined contribution plans, including Central Provident Fund	35	37
	<b>3,132</b>	<b>2,887</b>
<b>Senior Management</b>		
Wages and salaries	1,739	1,399
Employer's contribution to defined contribution plans, including Central Provident Fund	50	50
	<b>1,789</b>	<b>1,449</b>
	<b>4,921</b>	<b>4,336</b>

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 32. 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:

	<b>Module Business \$'000</b>	<b>Ad-hoc projects \$'000</b>	<b>Total \$'000</b>
<b>2013</b>			
<b>Revenue</b>			
Segment revenue to external parties	<b>172,991</b>	<b>96,360</b>	<b>269,351</b>
<b>Segment gross profit</b>	<b>37,214</b>	<b>28,629</b>	<b>65,843</b>
<b>As at 31 December 2013</b>			
<b>Segment assets</b>	<b>104,362</b>	<b>58,132</b>	<b>162,494</b>
<b>Segment liabilities</b>	<b>68,487</b>	<b>38,149</b>	<b>106,636</b>
<b>2012</b>			
<b>Revenue</b>			
Segment revenue to external parties	164,009	51,277	215,286
<b>Segment gross profit</b>	<b>36,839</b>	<b>19,823</b>	<b>56,662</b>
<b>As at 31 December 2012</b>			
<b>Segment assets</b>	<b>70,202</b>	<b>21,950</b>	<b>92,152</b>
<b>Segment liabilities</b>	<b>42,280</b>	<b>13,219</b>	<b>55,499</b>

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.

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.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 32. Segment information (continued)

### (a) Reconciliations

#### (i) Segment profits

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

	Group	
	2013	2012
	\$'000	\$'000
Segment gross profit for reportable segments	65,843	56,662
Other (losses)/income	(81)	3,119
Administrative expenses	(29,793)	(26,281)
Finance expenses	(325)	(167)
Share of loss of an associated company	(61)	*
Profit before income tax	35,583	33,333
Income tax expense	(4,933)	(4,953)
<b>Net profit</b>	<b>30,650</b>	<b>28,380</b>

\* Amount is less than \$1,000

#### (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.

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, investment in an associated company, and investment properties.

Segment assets are reconciled to total assets as follows:

	2013	2012
	\$'000	\$'000
Segment assets for reportable segments	162,494	92,152
Unallocated assets		
- Cash and cash equivalents	61,451	62,646
- Derivative financial instruments	66	318
- Other receivables	52	1,181
- Other current assets	1,170	2,675
- Deferred income tax asset	1,400	-
- Goodwill	5,556	5,556
- Property, plant and equipment	118,921	100,030
- Club memberships	407	407
- Investment in an associated company	-	63
Total assets	<b>351,517</b>	<b>265,028</b>

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 32. Segment information (continued)

### (a) Reconciliations (continued)

#### (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:

	2013 \$'000	2012 \$'000
Segment liabilities for reportable segments	106,636	55,499
Unallocated liabilities		
- Other payables	3,964	11,961
- Derivative financial liabilities	382	-
- Borrowings	35,727	909
- Current income tax liabilities	8,168	7,550
- Deferred income tax liabilities	2,119	4,619
Total liabilities	<u>156,996</u>	<u>80,538</u>

### (b) Geographical information

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

	2013 \$'000	2012 \$'000
Asia Pacific	55,402	73,556
Europe	213,950	141,730
	<u>269,352</u>	<u>215,286</u>

The Group's property, plant and equipment are located mainly in Singapore, China and Malaysia as at 31 December 2013 and 2012.

### (c) Revenue from major customers

At balance sheet date, the Group's three largest customers by revenue in aggregate, accounted for 84% of total revenue (2012: 95%).

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 33. Business combinations

On 29 June 2012, the Group acquired a 70% equity interest in Paliy Marine Fabricator (Guangzhou) Ltd. (now known as DMP Marine Fabricator (Nansha) Co. Ltd) ("DMP"). The principal activity of DMP is that of contractors for project management, engineering, fabrication and installation of land and marine works in Nansha District, Guangzhou City, the People's Republic of China (the "PRC").

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, were as follows:

### (a) Purchase consideration

	\$'000
Cash paid	1,500
Forgiveness of debt due to a subsidiary of the seller	800
Consideration payable	1,500
Total purchase consideration	3,800
Less: Indemnification asset (Note (g) below)	–
	3,800

### (b) Effect on cash flows of the Group

	\$'000
Cash paid (as above)	1,500
Less: cash and cash equivalents in subsidiary acquired	(145)
Cash outflow on acquisition	1,355

### (c) Identifiable assets acquired and liabilities assumed

	At fair value \$'000
Cash and cash equivalents	145
Property, plant and equipment (Note 19)	766
Trade and other receivables (Note (e) below)	1,113
Other current assets	371
Total assets	2,395
Trade and other payables	(2,154)
Current tax liabilities (Note 9(b))	(497)
Total liabilities	(2,651)
<b>Identifiable net liabilities acquired</b>	(256)
Less: Non-controlling interests at fair value	(1,500)
Add: Goodwill (Note 20)	5,556
<b>Consideration transferred for the business</b>	3,800

### (d) Acquisition-related costs

Acquisition-related costs of \$204,000 are included in "administrative expenses" in the 2012 consolidated statement of comprehensive income and in operating cash flows in the 2012 consolidated statement of cash flows.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 33. Business combinations (continued)

### (e) Acquired receivables

The fair value of trade and other receivables is \$1,113,000 and includes trade receivables with a fair value of \$275,000.

### (f) Fair values

In the previous financial year, the fair value of the acquired property, plant and equipment of \$766,000 was been provisionally determined pending receipt of the final valuation reports from the independent valuers. In the current financial year, the fair value of the acquired property, plant and equipment was finalised with no changes to the provisional values.

### (g) Indemnification asset

The seller of DMP has contractually agreed to indemnify the Group for all tax liabilities under relevant tax laws and regulations on the part of the seller and DMP prior to completion.

### (h) Non-controlling interests and consideration payable

Pursuant to the acquisition of the 70% equity interest in DMP, the Group signed an equity Joint Venture Agreement ('JVA') with the other shareholders of DMP, that grant the Group a call option to purchase the remaining 30% equity interest in DMP for \$1,500,000 from the other shareholders within three years from 29 June 2012 ("Call Option Period"), while the other shareholders are granted a put option to sell to the Group the remaining 30% equity interest in DMP for \$1,500,000 within six months from the expiry of the Call Option Period.

The Group has not allocated the non-controlling interests its share of results of the subsidiary as the Group is deemed to have all the risks and rewards of the ownership of DMP. A consideration of \$1,500,000 has been recognised as a liability in the balance sheet for the remaining 30% equity interest in DMP (Note 22) as at 31 December 2013 and 2012. Management considers the effect of discounting not to be significant to the Group's results.

### (i) Goodwill

Goodwill is attributable to the increased business opportunity with its existing long term customers who require the services of contractors based in PRC.

### (j) Revenue and profit contribution

The Group's intention for acquiring the subsidiary is to act as a subcontractor in PRC. Revenue is earned from a fellow subsidiary and is eliminated at group level. As a result, management is of the view that disclosing the revenue and profit contribution of this subsidiary is not meaningful.

## 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 after 1 January 2013 or later periods and which the Group has not early adopted:-

- FRS 110 - Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 111 - Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 - Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 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 28 March 2014.

## 36. Listing of companies in the Group

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

Name	Principal activities	Country of business/ incorporation	Equity holding	
			2013 %	2012 %
<u>Held by the Company</u>				
Dyna-Mac Engineering Services Pte. Ltd. <sup>(a)</sup>	Contractors for project management, engineering, fabrication and installation of land and marine works	Singapore	100	100
Dyna-Mac Marine and Heavy Engineering Pte. Ltd. <sup>(a)</sup>	Contractors for project management, engineering, fabrication and installation of marine works	Singapore	100	100
Dyna-Mac Offshore Services Pte. Ltd. <sup>(a)</sup>	Contractors for repair and marine works	Singapore	100	100
Dyna-Mac Engineering (HK) Pte. Ltd.	Provides project management services for projects in the People's Republic of China	Hong Kong	100	100
DM Haven Automation Industries (S) Pte. Ltd. (formerly known as Haven Automation Industries (S) Pte. Ltd.) <sup>(a)</sup>	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	–
Dyna-Mac Keppel Philippines Inc. <sup>(b)</sup>	Contractors for project management, engineering, fabrication and installation of land and marine works	Philippines	60	–
<u>Held by subsidiaries</u>				
Dyna-Mac Engineering Services Sdn. Bhd. <sup>(c)</sup>	Contractors for construction works	Malaysia	100	100
Dyna-Mac Do Brasil construcoes Ltda. <sup>(d)</sup>	(i) Fabrication, sale, installation and repair of modules for oil rigs, FSO and FPSO; and	Brazil	100	100
	(ii) Land and marine services of engineering, project management and other related services to the exploration and exploitation of oil and gas			
DMP Marine Fabricator (Nansha) Co. Ltd. <sup>(e)</sup>	Contractors for project management, engineering, fabrication and installation of land and marine works	People's Republic of China	70	70

# Notes to Financial Statements

For the financial year ended 31 December 2013

## 36. Listing of companies in the Group (continued)

(b) The associated company of Dyna-Mac Holdings Ltd. is as follows:

Name	Principal activities	Country of business/ incorporation	Equity holding	
			2013 %	2012 %
<u>Held by subsidiary</u>				
Eminent Offshore & Heavy Engineering Sdn. Bhd. <sup>(f)</sup>	Contractors for project management, engineering and construction of barges	Malaysia	<b>33</b>	33

(a) Audited by PricewaterhouseCoopers LLP, Singapore

(b) Audited by Isla Lipana & Co., PwC member firm

(c) Audited by PricewaterhouseCoopers, Malaysia

(d) Not required to be audited under the laws of the country of incorporation

(e) Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, Guangzhou, People's Republic of China

(f) Not audited as associated company is in the midst of liquidation at balance sheet date

# Analysis of Shareholdings

As at 20 March 2014

Class of Shares	:	Ordinary Shares
Number of Ordinary Shares in issue	:	1,023,211,000
Voting Rights per Share	:	1 vote per ordinary share
Treasury Shares	:	Nil

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1-999	8	0.19	1,787	0.00
1,000 – 10,000	1,699	40.03	12,078,000	1.18
10,000 – 1,000,000	2,506	59.05	148,408,010	14.50
1,000,001 and above	31	0.73	862,723,203	84.32
	4,244	100.00	1,023,211,000	100.00

Based on the information available to the Company as at 20 March 2014, approximately 34.19% 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.

## MAJOR SHAREHOLDERS LIST – TOP 20 AS AT 20 MARCH 2014

No.	Name of Shareholder	No. of Shares Held	%
1	LIM TZE JONG	417,776,000	40.83
2	KS INVESTMENTS PTE LTD	250,000,000	24.43
3	OCBC SECURITIES PRIVATE LTD	50,987,000	4.98
4	CITIBANK NOMINEES SINGAPORE PTE LTD	22,480,515	2.20
5	DBSN SERVICES PTE LTD	15,081,000	1.47
6	HL BANK NOMINEES (S) PTE LTD	10,888,000	1.06
7	BNP PARIBAS SECURITIES SERVICES	10,256,000	1.00
8	BANK OF SINGAPORE NOMINEES PTE LTD	10,033,000	0.98
9	DBS NOMINEES PTE LTD	8,806,561	0.86
10	UOB KAY HIAN PTE LTD	8,747,000	0.86
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	7,563,000	0.74
12	HSBC (SINGAPORE) NOMINEES PTE LTD	6,255,427	0.61
13	PHILIP SECURITIES PTE LTD	5,434,700	0.53
14	KOH PANG SENG	4,000,000	0.39
15	LIM & TAN SECURITIES PTE LTD	3,339,000	0.33
16	CIMB SECURITIES (SINGAPORE) PTE LTD	3,232,000	0.32
17	CITIBANK CONSUMER NOMINEES PTE LTD	2,920,000	0.29
18	RAFFLES NOMINEES (PTE) LTD	2,583,000	0.25
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,286,000	0.22
20	DBS VICKERS SECURITIES (S) PTE LTD	2,155,000	0.21
		844,823,203	82.56

# Analysis of Shareholdings

As at 20 March 2014

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest (No. of Shares)	Deemed Interest (No. of Shares)	Total Interest (No. of Shares)	%
LIM TZE JONG	417,776,000	–	417,776,000	40.83
KS INVESTMENTS PTE LTD <sup>(1)</sup>	250,000,000	–	250,000,000	24.43
KEPPEL OFFSHORE & MARINE LIMITED <sup>(1)(2)</sup>	–	250,000,000	250,000,000	24.43
KEPPEL CORPORATION LIMITED <sup>(2)(3)</sup>	–	250,000,000	250,000,000	24.43
TEMASEK HOLDINGS (PRIVATE) LIMITED <sup>(3)</sup>	–	266,024,000	266,024,000	26.00

Notes:

- (1) 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.
- (2) 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.
- (3) 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.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Raffles Country Club, 450 Jalan Ahmad Ibrahim, Singapore 639932 on Friday, 25 April 2014 at 4.00 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 2013 together with the Reports of the Directors and Auditors. (Resolution 1)
2. To declare the First and Final Tax Exempt One-Tier Dividend of \$0.02 per share for the financial year ended 31 December 2013. (Resolution 2)
3. To approve Directors' Fees of S\$170,500 for the financial year ending 31 December 2014 to be paid to the Independent Directors quarterly in arrears. (Resolution 3)
4. To re-elect Mr Lim Tjew Yok who retires in accordance with Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re-election. (Resolution 4)
5. To re-elect Dr Ong Seh Hong who retires in accordance with Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re-election. (Resolution 5)  
  
Dr Ong Seh Hong will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating and Remuneration Committee and a member of the Audit Committees.
6. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

## AS SPECIAL BUSINESS

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

7. Authority to issue shares (Resolution 7)

That the Directors be and are hereby authorised, pursuant to the provisions of Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, to issue shares and convertible securities in the Company (including the issue of shares and convertible securities by way of rights, bonus or otherwise and to grant offers, agreements and options which would or which might require shares to be issued) to such persons, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, PROVIDED ALWAYS THAT:-

- (i) the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) of the Company, and
- (ii) such authority shall (unless varied or revoked by the Company in the general meeting) continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next general meeting of the Company is required by law to be held, whichever is the earlier.

# Notice of Annual General Meeting

For the purpose of determining the aggregate number of the Company's shares that may be issued by the Company pursuant to this Resolution, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) of the Company at the time of the passing of this Resolution, after adjusting for (i) new shares arising from the conversion or exercise of convertible securities, (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing this Resolution, provided the options or awards were granted in compliance with the SGX-ST listing rules and (iii) any subsequent bonus issues, consolidation or subdivision of shares.

8. Renewal of the mandate for interested person transactions (Resolution 8)

That:-

- (i) 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");
- (ii) 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
- (iii) 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.

9. 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 : 9 April 2014  
Singapore

# Notice of Annual General Meeting

## 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) 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.
- 3) 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.
- 4) The Transfer Book and Register of Members of the Company will be closed on 9 May 2014 for the preparation of dividend. Duly completed registrable transfers received by the Company's Share Registrars, M & C Services Private Limited of 112 Robinson Road, #05-01 Singapore 068902, up to 5.00 p.m. on 8 May 2014 will be registered to determine shareholders' entitlement to the proposed first and final dividend. Shareholders whose securities account with The Central Depository (Private) Limited are credited with shares at 5.00 p.m. on 8 May 2014 will be entitled to the proposed dividends. Payment of the said dividends, if approved by shareholders at the Annual General Meeting, will be made on 23 May 2014.

## Explanatory Notes on Special Business to be Transacted

- Resolution 7: This is to empower the Directors, from the date of the above Meeting until the next Annual General Meeting ("AGM"), to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate fifty percent (50%) of the total number of issued shares (excluding treasury shares) of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders must not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) of the Company. This approval will unless varied or revoked at a general meeting, expire at the next AGM of the Company or the expiration of the period within which the next AGM of the Company is required to be held, whichever is earlier.
- Resolution 8: 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 2013 Annual Report.

# Proxy Form

## Annual General Meeting

### DYNA-MAC HOLDINGS LTD.

Company Registration No. 200305693E  
(Incorporated in the Republic of Singapore)

#### IMPORTANT

- For investors who have used their CPF monies to buy Dyna-Mac Holdings Ltd. shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We \_\_\_\_\_ NRIC/PP No. \_\_\_\_\_  
(Name)

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)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings to be represented by proxy (%)

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 Raffles Country Club, 450 Jalan Ahmad Ibrahim, Singapore 639932 on Friday, 25 April 2014 at 4.00 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.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	<b>Ordinary Business:</b> Adoption of Directors' and Auditors' Reports and Financial Statements		
2	Declaration of First and Final Tax Exempt One-Tier Dividend		
3	Approval of Directors' Fees for the year ending 31 December 2014		
4	Re-election of Mr Lim Tjew Yok who is retiring in accordance with Article 91 of the Company's Articles of Association		
5	Re-election of Dr Ong Seh Hong who is retiring in accordance with Article 91 of the Company's Articles of Association		
6	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors		
7	<b>Special Business:</b> Authority to issue shares pursuant to Section 161 of the Companies Act (Chapter 50)		
8	Renewal of mandate of Interested Person Transactions		
9	Any other business		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

<b>Total Number of Shares held</b>	
--	--

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

(Please read notes overleaf)



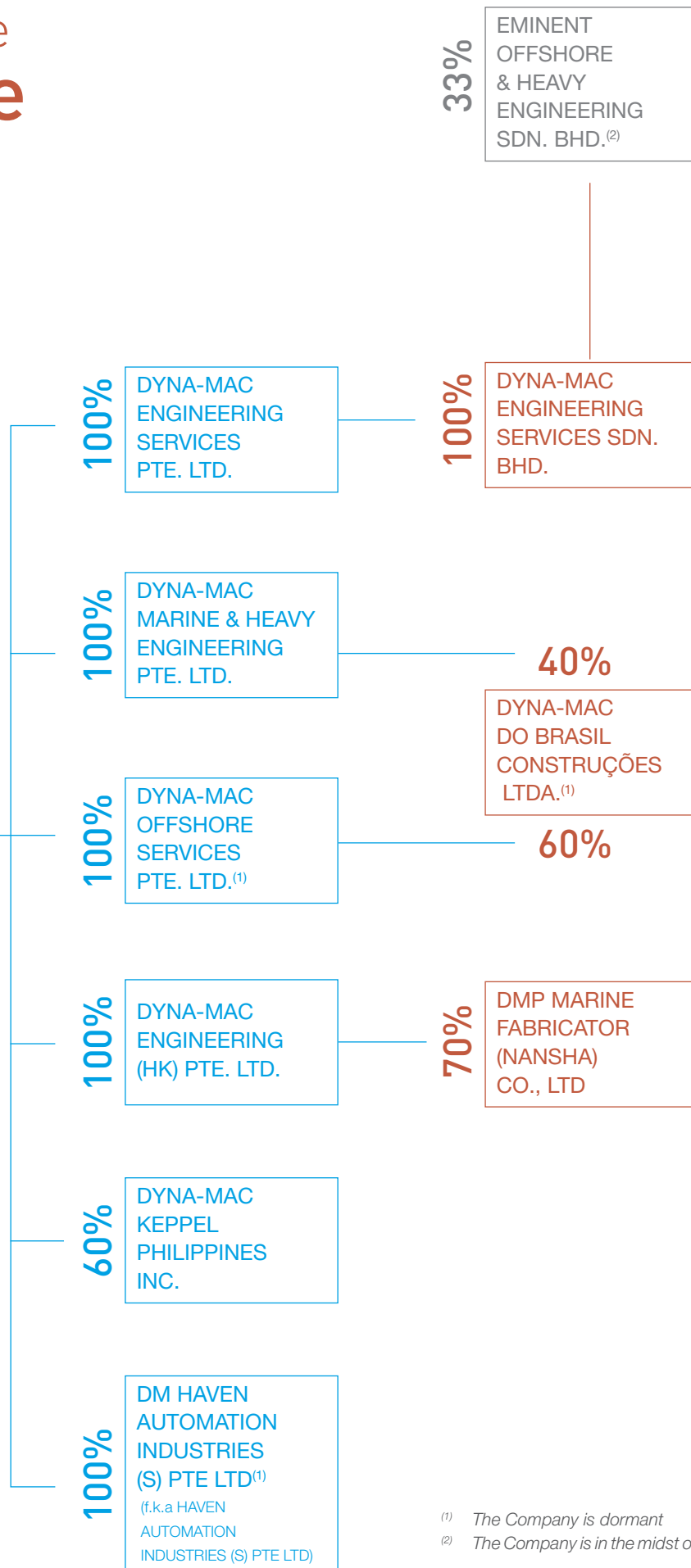
**Notes:-**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), 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 entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies, whether a member or not, to attend and vote instead of him.
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. 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.
5. 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.
6. A corporation which is a member may appoint an authorised representative or representatives in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore to attend and vote for and on behalf of such body corporate.
7. 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.

**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 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

# Corporate Structure



(1) The Company is dormant  
 (2) The Company is in the midst of liquidation



**DYNA-MAC HOLDINGS LTD.**

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