

# BUILDING MOMENTUM

Dyna-Mac Holdings Ltd. | Annual Report 2011



## VISION

To construct and deliver high quality top-side modules, semi-submersibles, and platforms for the marine, oil and gas industries, consistently exceeding all of our clients' expectations, outperforming our competitors, enhancing our shareholders' value and providing a dynamic environment for both our employees and sub-contractors.

## MISSION

We strive to be the global leader in providing products and services of unsurpassed quality for the marine, oil and gas industries, adding value to all of our clients as well as exceeding their expectations.

## VALUES

Our Values comprise commitment, integrity, respect, dedication and teamwork.

We believe that putting these values into practice creates long-term benefits for our clients, shareholders, employees and business partners.

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# Corporate Profile

**A multi-disciplinary specialist provider of detailed engineering, procurement and construction (“EPC”) services.**

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 154 topside modules 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 N04.

Located at 31, 33, 45 and 59 Gul Road and 13 Pandan Crescent, Dyna-Mac's yard facilities are large, modern and well-equipped to fabricate heavy-duty topside modules and specialised structures.



Using modern technology and equipment and integrated facilities, Dyna-Mac has established a conducive environment for operational efficiency and safety, thus ensuring timely delivery of projects.



# Highlights in FP2011

- on 20 December 2011, the company changed its financial year end from 31 May to 31 December

## Projects Completed

### Metering Skids for Emerson



Topside Modules for Keppel Shipyard

Topside Modules for FPSO Baleia Azul

## Investor Relations Activities

### QUARTERLY RESULTS AND BRIEFING

4Q 2011<sup>(1)</sup> - 21 and 22 July 2011

1Q 2012<sup>(1)</sup> - 6 and 7 October 2011

FY 2011<sup>(2)</sup> - 22 and 23 February 2012

<sup>(1)</sup> Based on previous financial year end of 31 May.

<sup>(2)</sup> Based on year end of 31 December with effect from 20 December 2011.

### CONFERENCES AND CORPORATE DAYS:

#### September 2011:

ASEAN Investor Conference, UBS

Asian Investor Conference, DnB NOR

#### November 2011:

ASEAN Access Day, CLSA

## Awards and Accolades

Awarded Runner-Up for Most Transparent Company Award (New Issues) at SIAS 12<sup>th</sup> Investor Choice Awards 2011 on 27 October 2011

Ranked in the 25<sup>th</sup> Annual Singapore 1000 & Singapore SME 1000 incorporating the Singapore 100 Ranking on 10 February 2012



Launched a new 4-storey office building at 45 Gul Road



Constructed a new specialised pipe fabrication workshop at 13 Pandan Crescent

**NEW OFFICE BUILDING**

Enhancing our service excellence with additional on-site facilities for customers' representatives and our workforce.

**NEW PIPE FABRICATION WORKSHOP**

Equipped with a semi-automated production system enhancing operational efficiency, as well as quality and consistency of products.

# A Message from Our Chairman & CEO

## DEAR SHAREHOLDERS,

**On 20 December 2011, Dyna-Mac announced our decision to change our financial year end from 31 May to 31 December to align our reporting periods to that of our peers and business partners, and ultimately, to better reflect the financial results of the Group. Following this change, Dyna-Mac's current financial year in this annual report covers a 7-month period from 1 June 2011 to 31 December 2011 ("7M FP2011").**

During these seven months, the Group faced challenges posed by an uncertain global economy, fraught with slumping world trade growth and global capital flows, which were triggered by the Eurozone crisis.

Dyna-Mac has stayed focused to deliver results against this backdrop by achieving a net profit of \$5.6 million on the back of revenue totaling \$49.7 million for 7M FP2011. During this period, we loaded out eight topside modules for SBM Offshore N.V (SBM) and VWS Westgarth's FPSO Beleia Azul and an FPSO project for Keppel Shipyard, as well as four metering skids for Emerson. The Group's gross profit margin for 7M FP2011 stood relatively unchanged at 26%.

With the completion of the aforementioned projects, Dyna-Mac has successfully delivered 154 topside modules over the years, further strengthening our track record as one of the leading topside module specialists.

### DIVIDEND

For the 7 months ended 31 December 2011, the Group is proposing a final cash dividend of \$0.005 per share, representing a dividend payout of 83%. The proposed dividend, which is subject to shareholders' approval at our forthcoming annual general meeting, comes shortly on the heels of \$0.02 per share final dividend, representing a dividend payout of 75%, which we recently paid out to shareholders for the financial year ended 31 May 2011.

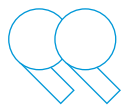
### OUTLOOK AND STRATEGY

According to the International Energy Agency (IEA), global oil demand is expected to grow in the longer term. The demand is largely underpinned by countries' increasing need for energy security and a doubling of passenger vehicles to almost 1.7 billion in emerging economies, particularly China and India, by 2035<sup>1</sup>. The above factors, coupled with a tight and unreliable supply of oil<sup>2</sup>, is expected to boost global demand for oil from 87 million bbl/day in 2010, to 91 million bbl/day by 2012, to 99 million bbl/day in 2035<sup>2</sup>. In turn, this augurs well for oil prices and ultimately, capital investments / expenditures in the oil and gas sector.

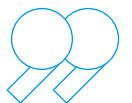
As at 21 Feb 2012, the Group has an order book of \$180 million and comprises fabrication projects for 21 topside modules, nine piperacks, one turret and a structural block of a jack-up hull. These are projects awarded by our existing customers, namely SBM, Modec, Bumi Armada and Keppel Fels.

With this, we are confident that Dyna-Mac is on the right track to achieve future growth. We expect a large part of the projects in our order book to commence and complete in 2012.

We are also cautiously optimistic that our business momentum will pick up further given the strong fundamentals in the offshore oil and gas sector, which has provided support for the healthy enquiry levels and tender book of the Group. Dyna-Mac continues to enjoy established relationships with valued customers such as SBM, Modec, Bumi Armada and VWS Westgarth and has received active enquiries from these key customers to date.



WITH THE COMPLETION OF THE AFOREMENTIONED PROJECTS, DYNA-MAC HAS SUCCESSFULLY DELIVERED 154 TOPSIDE MODULES OVER THE YEARS, FURTHER STRENGTHENING OUR TRACK RECORD AS ONE OF THE LEADING TOPSIDE MODULE SPECIALISTS.



# A Message from Our Chairman & CEO

According to a Floating Production System outlook report issued by International Maritime Associates (IMA) in November 2011, there is a current order backlog of 57 units, of which 40 are FPSO vessels (16 new and 24 conversions). With almost half of the 35 fabrication / conversion facilities in the world for production floaters situated in this region, Asia dominates the global market for FPSO fabrication and conversion work<sup>2</sup>. Thus, Dyna-Mac's track record and strategically located modern yard in Singapore place us in a strong position to capitalise on opportunities available in the FPSO market.

As part of our strategy for organic expansion, Dyna-Mac will continue to leverage on our extensive expertise in the FPSO market to proactively grow our customer base and to win new clients. The Group continues to fabricate offshore structures such as turrets, piperacks and other subsea products as part of our expansion strategy.

In summary, the fundamentals driving the floating production market remain strong. As IMA puts it, world oil demand continues to grow, supply remains tight, oil prices remain in the \$100 range despite recent economic turmoil and exploration and production spending outlook is bullish. Meanwhile, orders for floating production systems continue at an above average pace.

In anticipation of a busy year ahead, Dyna-Mac has completed the upgrading work to our yard in December 2011, and our new specialised pipe fabrication workshop and office building stand ready.

## APPRECIATION

In closing, I would like to express my utmost appreciation to the management and staff of Dyna-Mac for their unwavering hard work and commitment. I would also like to record my thanks to my fellow directors for their invaluable advice and guidance. Last but not least, we are extremely grateful for the support and loyalty of our customers and business partners. We hope you will continue to place your trust in us, as we strive to deliver new levels of growth and shareholder value in the years ahead.

Thank you.

**Desmond Lim Tze Jong**

Executive Chairman and CEO



1. International Energy Agency, "World Energy Outlook 2011", November 2011  
2. International Maritime Associates, "Floating Production System Outlook", November 2011



# Financial & Operational Highlights

\$'mil	Jun 2011 to Dec 2011	Jun 2010 to Dec 2010	Jun 2010 to May 2011
	(7 months)	(7 months)	(12 months)
<b>REVENUE &amp; PROFIT</b>			
Revenue	49.7	99.0	167.9
Gross profit	13.2	25.9	50.3
GP margin (%)	26.5%	26.1%	30.0%
Net profit	5.6	12.3	24.8
NP margin (%)	11.3%	12.5%	14.8%
<b>CASH FLOWS</b>			
Cash flows from operating activities	7.7	19.4	37.6
Net cash (used in)/provided by operating activities	(3.4)	17.5	3.7
Net cash used in investing activities	(3.5)	(1.9)	(30)
Net cash used in financing activities	(17.1)	(3.3)	55.0
Cash and bank balances at end of period	28.2	45.4	82.0

\$'mil	AS AT 31 DEC 2011	AS AT 31 MAY 2011
<b>BALANCE SHEET</b>		
Current assets	69.4	152.1
Non-current assets	89.7	76.0
<b>Total assets</b>	<b>159.1</b>	<b>228.1</b>
Current liabilities	39.2	83.2
Non-current liabilities	5.0	17.0
<b>Total liabilities</b>	<b>44.2</b>	<b>100.2</b>
<b>Net assets</b>	<b>114.9</b>	<b>127.9</b>

**HEALTHY ORDER BOOK**  
**S\$180 million as at 21 February 2012,**  
**most of which have commenced by February 2012**  
**and is expected to complete by 2012.**

**ONGOING PROJECTS:**

Vessel Name	Customer	No. of Topsides	Other work
NA	Keppel Fels	-	Structural block of a jackup hull
FPSO OSX-2	SBM	} 21	} 9 piperacks, 1 turret (10,000 MT)
FPSO OSX3	Modec		
FPSO ONGC-D1	Bumi Armada		
FPSO Quad 204	SBM		

**USE OF PROCEEDS AS AT 31 DECEMBER 2011**

Use of Proceeds	Amount allocated (\$ million)	Amount utilised (\$ million)	Balance amount (\$ million)
a. Expansion of yard facility at 13 Pandan Crescent	8.0	5.6	2.4
b. Upgrading and expansion of yard facility at Main Yard	12.0	10.4	1.6
c. Acquisition of additional equipment and machineries	7.0	4.4	2.6
d. Expansion of operations overseas	20.0	-	20.0
e. General working capital	26.2	26.2	-
	<b>73.2</b>	<b>46.6</b>	<b>26.6</b>

# The Year in Review



## New Pipe Fabrication Workshop

Heightened concerns over the European sovereign debt crisis and the anemic recovery in the US economy marred 2011. These invariably led to greater uncertainty in the operating environment and volatility in oil prices. It is against this backdrop that the Group executed on its strategy to grow organically. This involved broadening Dyna-Mac's customer base. Although delays in the awarding of projects during the period in review have led to slower sales, the Group has secured a strong order book, and looks poised to further build on this momentum amidst heightened business enquiries in 2012.

### FINANCIAL REVIEW

The Group achieved a net profit of \$5.6 million for the 7-month period ended 31 December 2011 ("7M FP2011"), compared to a net profit of \$12.3 million for the year ago 7-month period ("7M FP2010"). This was achieved on the back of \$49.7 million in revenue for 7M FP2011, compared to \$99.0 million in the previous year. The decline in revenue was primarily attributable to a lower volume of work undertaken by the Group.

Gross profit for 7M FP2011 stood at \$13.2 million, down from \$25.9 million in 7M FP2010. Gross profit margin, however, was relatively unchanged at 26.0% due to costs savings finalised for completed projects and successful negotiations of variation claims. Net profit margin stood at 11.3% for 7M FP2011, compared to 12.5% for 7M FP2010.

The Group's balance sheet as at 31 December 2011 continues to be strong, with zero gearing, current ratio of 1.8 times, and cash and bank balances, inclusive of fixed deposits, of \$28.2 million.



## OPERATIONS REVIEW

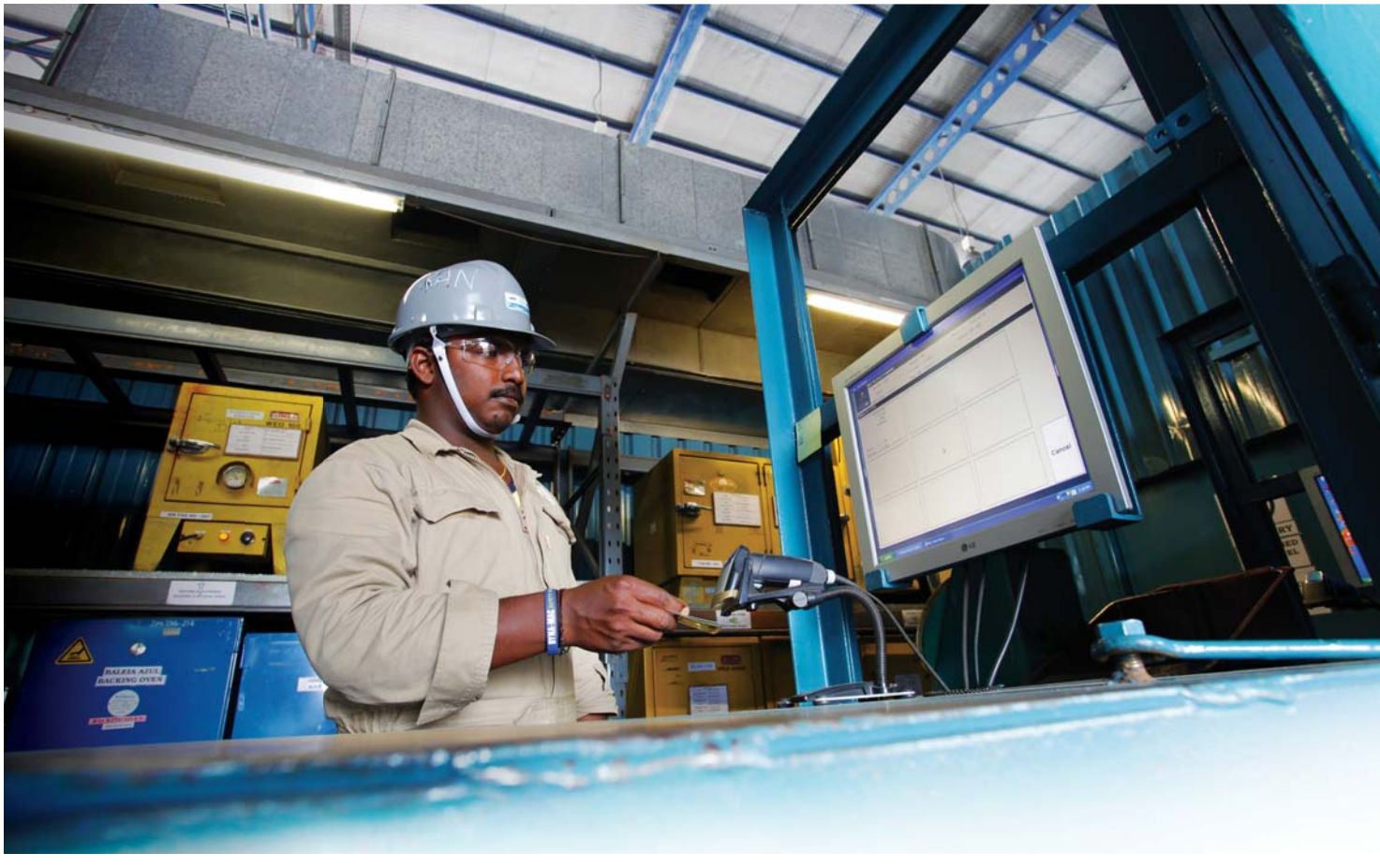
Dyna-Mac recorded an important milestone in 2011 with the addition of Bumi Armada TGT Limited, part of the Bursa-listed Bumi Armada Group, one of South-east Asia's largest FPSO vessel providers, to its list of customers. Following the delivery of four topside modules to Bumi Armada in April 2011, the Group has secured another order from the Bumi Armada Group during the last quarter of the year.

For 7M FP2011, Dyna-Mac completed four topside modules for SBM and one topside module for VWS Westgarth in relation to their involvement for FPSO Baleia Azul, three other topside modules for Keppel Shipyard, and four metering skids for Emerson.

Taking into account the above projects as well as other projects completed, Dyna-Mac's 25,000 ton-capacity yard operated at a utilisation rate of 54.1% based on a 12-month basis from 1 January 2011 to 31 December 2011.



# The Year in Review



The Group is headed for a busy year given its \$180 million order book as at 21 February 2012. Ongoing projects include the fabrication of 21 topside modules, a structural block of a jack-up hull, a turret and nine piperacks for clients such as SBM, Modec, Bumi Armada and Keppel FELS. Work for most of these projects has commenced by February 2012 and the majority of these works are expected to be completed by 2012.

In 2011, the Group has embarked on a path of organic expansion and intensified its marketing and business development efforts for a comprehensive range of offshore structures and subsea products, in addition to topside modules. Aligned with this strategy, the Group has secured ad-hoc projects such as the fabrication of a 10,000 metric tonne (MT) turret for SBM for FPSO Quad 204.

In addition, pursuant to the Group's collaboration agreement with Keppel Shipyard Limited, Dyna-Mac has undertaken subcontract projects from Keppel Group and will continue to explore suitable projects.

As at the date of this annual report, Dyna-Mac has a robust topside module tender book which it is actively pursuing. At the same time, Dyna-Mac continues to be actively bidding for projects in the market and have been receiving enquiries from long-standing key customers such as SBM, Modec, Bumi Armada and VWS Westgarth.

Dyna-Mac's track record and strong reputation - built based on its competency in project management and operation protocols, comprising safety practices, on-time delivery, stringent quality and cost-control measures - will continue to give the Group the competitive advantage in the region. Its long-standing relationships with customers serve as a strong testament to Dyna-Mac's competency.



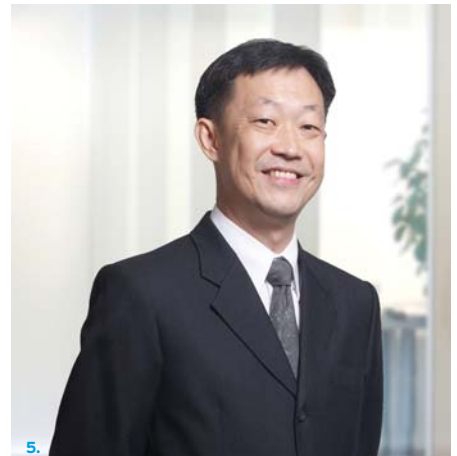
Dyna-Mac believes that people are one of its strongest assets and pivotal to its continued pursuit of excellence in the EPC business. Underscoring this, the Group budget annually for training programmes and initiatives aimed at improving productivity, safety awareness and employee motivation.

Dyna-Mac is geared up for 2012 with the completion of its yard upgrade. The Group's new specialised pipe fabrication workshop equipped with a semi-automated production system provides a boost to its operational efficiency, as well as quality and consistency of products. In addition, the Group is also expanding its workforce following the completion of a new four-storey office building.

With these factors, and the positive outlook of the oil and gas sector, the Group is optimistic of securing more projects in the future.



# Board of Directors



## 1. MR DESMOND LIM TZE JONG

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 conversions. 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.

## 2. MR VARGHESE JOHN

Chief Operating Officer and Executive Director

Mr Varghese John, who joined Dyna-Mac in 1999, oversees the Company's overall operational functions of the departments of Project Management, Production, Engineering, Yard Maintenance and Human Resource as well as administration. 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.

## 3. MR LIM TJEW YOK

Chief Technical Officer and Executive Director

Mr Lim, or TY as he is better known, joined Dyna-Mac in 2001 and is responsible for the technical aspect including procurement, sub-contracting, quality assurance / quality control, quantity surveying, information technology, safety, security, HVAC, yard development, overseas yard construction and projects in China. He has adeptly managed projects involving the design, procurement, construction, installation and commissioning of more than 100 topside modules and hull of the semi-submersibles. Additionally, he is currently the Project Director for our fabrication of the biggest turret in the

Dyna-Mac Group. 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.

## 4. MR YEO CHIEN SHENG NELSON

Non-executive Director

Appointed to Dyna-Mac's Board on 8 February 2011, Mr Yeo is currently the Managing Director (Marine) of Keppel Offshore & Marine Ltd and Managing Director of Keppel Shipyard Limited. Mr Yeo brings with him over 29 years of experience in the offshore and marine industries. He graduated from the University of Birmingham, U.K. with a Bachelor's Degree (Honours Class 1) in Mechanical Engineering in 1979 and obtained a Master of Engineering Degree from the Asian Institute of Technology, Thailand in 1982, under the Shell International Petroleum Company Sponsorship. He completed the Programme for Management Development with the Harvard University Graduate School of Business Administration, USA in 1992.

## 5. 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; a general manager and executive director of Progen Holdings Ltd., vice president (Finance) of Pacific Century Regional Developments Limited and a 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 five other SGX-listed companies.

## 6. DR ONG SEH HONG

Independent Director

Dr Ong was appointed to Dyna-Mac's Board on 8 February 2011. He is currently a 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.

## 7. MR SIMON TEO BOON HWEI

Alternate Director to Mr Desmond Lim Tze Jong and Chief Marketing Officer

Mr Teo was appointed as alternate director to Mr Desmond Lim Tze Jong 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 as well as coordination and administration of overseas markets. Backed by over 14 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.

## 8. MR WONG NGIAM JIH

Alternate Director to Mr Yeo Chien Sheng Nelson

Mr Wong was appointed as an alternate director to Mr Yeo Chien Sheng Nelson in June 2011. 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 35 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 JOYCE TIONG SAI LAN**

Chief Financial Officer

Ms Tiong joined the Group as Chief Financial Officer in 2006 and is responsible for the accounting, finance and corporate development matters 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 Certified

Public Accounts of Singapore since 1999 and has obtained fellow membership of the Association of Chartered Certified Accountants in 2002.



## **MR PETER LOH NYEN FOH**

Vice-President (Operations Affairs)

With over 15 years of experience in the marine engineering industry, Mr Loh is responsible for the Group's Procurement, Quantity Survey and Sub-contracts functions. He first joined the Group in 2008 and left for BW Offshore in 2011 as a Construction Manager in charge of topsides. He returned to the Group

in March 2012 to take up his current role as Vice-President, Operations Affairs. 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 PARK YONG KAP**

General Manager  
(Business Development)

Mr Park joined the Group in June 2011 and is responsible for the business development, marketing and advertising activities of the Group. 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.



## **MR PANGILINAN ARMANDO AGSAWAY**

General Manager (Operations)

Mr Pangilinan joined the Group in April 2006 and supports Dyna-Mac's Chief Operating Officer in the Group's operation functions encompassing projects, engineering, yard management/maintenance and material control. Formerly a Senior Project Manager at Dyna-Mac Engineering Services

Pte. Ltd., he was promoted to his current role in March 2011. He brings with him almost 25 years of experience gained from working in Singapore, Indonesia, Philippines, Saudi Arabia, UAE (Dubai). Mr Pangilinan holds a Master in Structural Engineering (Units Earned) from Pamantasan Lungsod ng Maynila and a Bachelor of Science in Civil Engineering from the University of Santo Tomas.



## **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.

# Corporate Structure

## DYNA-MAC HOLDINGS LTD.



<sup>(1)</sup> The Company is dormant

# 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 Desmond Lim Tze Jong

Executive Chairman and  
Chief Executive Officer

### Mr Varghese John

Executive Director and  
Chief Operating Officer

### Mr Lim Tjew Yok

Executive Director and  
Chief Technical Officer

### Mr Yeo Chien Sheng Nelson

Non-executive Director

### Mr Tan Soo Kiat

Lead Independent Director

### Dr Ong Seh Hong

Independent Director

### Mr Simon Teo Boon Hwee

Alternate Director to  
Mr Desmond Lim Tze Jong

### Mr Wong Ngiam Jih

Alternate Director to  
Mr Yeo Chien Sheng Nelson

## NOMINATING COMMITTEE

Dr Ong Seh Hong (Chairman)  
Mr Yeo Chien Sheng Nelson  
Mr Tan Soo Kiat

## REMUNERATION COMMITTEE

Dr Ong Seh Hong (Chairman)  
Mr Yeo Chien Sheng Nelson  
Mr Tan Soo Kiat

## AUDIT COMMITTEE

Mr Tan Soo Kiat (Chairman)  
Mr Yeo Chien Sheng Nelson  
Dr Ong Seh Hong

## JOINT COMPANY SECRETARIES

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

## SHARE REGISTRAR

### M & C Services Private Limited

138 Robinson Road  
#17-00 The Corporate Office  
Singapore 068906

## PRINCIPAL BANKER

### Oversea-Chinese Banking Corporation Limited

65 Chulia Road  
Singapore 049513

## AUDITORS

### PricewaterhouseCoopers LLP

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

Partner-in-charge:

Daniel Khoo  
(appointed since 2011)

## SOLICITORS

### RHT Law LLP

6 Battery Road  
#10-01  
Singapore 049909

## INVESTOR RELATIONS

### August Consulting

101 Thomson Road  
#30-02 United Square  
Singapore 307591  
Tel: 6733 8873

Collins Stewart Pte. Limited was the Issue Manager of Dyna-Mac Holdings Ltd.'s Initial Public Offering. Collins Stewart Pte. Limited and UOB Kay Hian Private Limited were the Joint Underwriters and Joint Placement Agents of the Invitation.

# Financial Report

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# Corporate Governance Report

The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of our Company, and will follow closely the best practice outlined in the Best Practices Guide issued by SGX-ST.

## 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 success of the company. The Board works with the Management to achieve this 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 the control systems and policies;
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.

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.

The Company will issue a formal letter of appointment to new Directors setting out their duties and obligations when they are appointed.

To assist in the execution of its responsibilities, the Board has delegated decisions on certain Board matters to specialised Board Committees. Minutes of the Board Committee Meetings are available to all Board members.

During the financial period from 1 June 2011 to 31 December 2011, two scheduled Board Meetings were held. Ad hoc meetings are held when the circumstances require. Details relating to the number of Board and Committee Meetings held during this financial period and the attendance of the Directors are set out on Page 30 of this Report.

# Corporate Governance 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. 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 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 at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents 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 Report

## ACCESS TO INFORMATION

**Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.**

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 of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.**

Our Remuneration Committee comprises two Independent Directors:

Dr Ong Seh Hong	(Chairman)
Mr Tan Soo Kiat	(Member)
Mr Yeo Chien Sheng Nelson	(Member)
Mr Desmond Lim Tze Jong	(Member) (retired on 10 October 2011)

Our Remuneration Committee will recommend 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.

# Corporate Governance Report

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

Mr Desmond Lim, is an Executive Director, and notwithstanding that he was a member for a period of time until his retirement from the Remuneration Committee, the recommendation procedures are transparent, thereby ensuring the remuneration packages being recommended are fair and equitable.

## Disclosure on Remuneration

**Principle 9: Each company should provide clear disclosure of its remuneration policy, 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 period ended 31 December 2011 is set out below:

Remuneration band & name of directors of the Company	Directors' Fee	Salary	Variable Performance Related Bonus	Allowances & Benefits	Total
<b>Above \$500,000:</b>					
Lim Tze Jong <sup>(1)</sup>	-	96%	-	4%	100%
<b>Below \$250,000:</b>					
Varghese John	-	98%	-	2%	100%
Lim Tjew Yok <sup>(1)</sup>	-	100%	-	-	100%
Tan Soo Kiat	100%	-	-	-	100%
Ong Seh Hong	100%	-	-	-	100%
Yeo Chien Sheng Nelson	100%	-	-	-	100%
Wong Ngiam Jih <sup>(2)</sup>	-	-	-	-	-
Teo Boon Hwee <sup>(3)</sup>	-	100%	-	-	100%

The remuneration of the key executives of the Company for the financial period ended 31 December 2011 is set out below:

Remuneration band & name of key executives of the Company	Salary	Allowances & Benefits	Total
<b>Below \$250,000:</b>			
Tiong Sai Lan	97%	3%	100%
Loh Nyen Foh <sup>(4)</sup>	-	-	-
Park Yong Kap	100%	-	100%
Pangilinan Armando Agsaway	100%	-	100%
Chong Swee Lee	100%	-	100%

## Notes:

- (1) Mr Lim Tze Jong and Mr Lim Tjew Yok are siblings.
- (2) Mr Wong Ngiam Jih was appointed as an alternate director to Mr Yeo Chien Sheng Nelson on 28 June 2011.
- (3) Mr Teo Boon Hwee was appointed as an alternate director to Mr Lim Tze Jong on 28 June 2011.
- (4) Mr Loh Nyen Foh was not in our employment during the relevant period as he joined the Group on 1 March 2012.

Saved as disclosed above, there is no immediate family member of a Director whose remuneration has exceeded \$150,000 for the financial period ended 31 December 2011.

# Corporate Governance Report

## NOMINATING COMMITTEE

**Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.**

**Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole 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 Yeo Chien Sheng Nelson	(Member)
Mr Tan Soo Kiat	(Member)

Our Nominating Committee will be responsible for:

- (a) re-nomination of our Directors having regard to our Directors' 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 will decide on how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term shareholders' value. The performance evaluation will also include consideration of our share price performance over a five-year period vis-a-vis the Singapore Straits Times Index and a benchmark index of its industry peers. The Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board.

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.

## 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 11: 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:

Mr Tan Soo Kiat	(Chairman)
Mr Yeo Chien Sheng Nelson	(Member)
Dr Ong Seh Hong	(Member)

# Corporate Governance Report

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 international 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 and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- (e) To review the co-operation given by the Management to the external auditors;
- (f) To recommend to the Board, the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;
- (g) To review and ratify any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- (h) To review any potential conflicts of interest;
- (i) To review the procedures by which employees of the Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions in relation thereto;
- (j) To undertake such other reviews and projects as may be requested by the Board of Directors, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (k) To review all non-audit services provided by the external auditors to ensure that they would not in the Committee's opinion affect the independence of the auditors;
- (l) To review the adequacy of the Company's internal financial controls, operational and compliance controls and risk management policies and systems established by the Management;
- (m) To review and approve foreign exchange hedging policies implemented by the Group and conduct periodic review of foreign exchange transactions and hedging policies and procedures;
- (n) To undertake generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time; and
- (o) To review and discuss with the external auditors any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position and Management's response.

# Corporate Governance Report

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 period ended 31 December 2011 was approximately S\$307,000, of which audit fees amounted to approximately S\$260,000 and non-audit fees amounted to approximately S\$47,000.

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.

### Internal controls

**Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.**

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 Company was listed on the Mainboard of the Singapore Exchange on 2 March 2011. Following its listing, 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. 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 and compliance risk. 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, in the absence of any evidence to the contrary, the system of internal controls in place are adequate in meeting the needs of the Group in its current business environment.

# Corporate Governance Report

## INTERNAL AUDIT

**Principle 13: The company should establish an internal audit function that is 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 who provides 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.

## COMMUNICATIONS WITH THE SHAREHOLDERS

**Principle 14: Companies should engage in regular, effective and fair communication with shareholders.**

**Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

(a) *Communications with Shareholders*

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders of the Company, in compliance with the requirements set out in the Listing Manual of the Singapore Exchange Securities Trading Limited with particular reference to the Corporate Disclosure Policy set out therein. In this respect, the Company announces its results to shareholders within the mandatory period. The Company does not practice selective disclosure of material information.

(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. For the time being, the Board is of the view that this is adequate to enable shareholders to participate in general meetings of the Company and is not proposing to amend their Articles to allow votes in absentia. Separate resolutions on each distinct issue are tabled at general meetings.

# Corporate Governance Report

## 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 half year and full year financial results, as the case may be, 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 seven-month financial period ended 31 December 2011

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	2	2	3	2	1	1	1	1
Varghese John	2	2	3	3	1	1	1	1
Lim Tjew Yok	2	2	3	2	1	1	1	1
Tan Soo Kiat	2	2	3	3	1	1	1	1
Dr Ong Seh Hong	2	2	3	3	1	1	1	1
Yeo Chien Sheng Nelson	2	2	3	3	1	1	1	1

# Interested Person Transactions

For the financial period from 1 June 2011 to 31 December 2011

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 period 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 S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000)	
	7 months ending 31 Dec 2011 \$'000	7 months ending 31 Dec 2010 \$'000	7 months ending 31 Dec 2011 \$'000	7 months ending 31 Dec 2010 \$'000

## PURCHASES AND OTHER EXPENSES

### Transactions with Speedgrow International Pte. Ltd. ("Speedgrow")

Supply of machine and equipment by Speedgrow	21	44	-	-
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### Transactions with L&W United Engineering Pte. Ltd. ("L&W")

Sub-contracting services for steel and piping fabrication by L&W	1,188	1,650	-	-
Supply of manpower services by L&W	-	187	-	-

### Transactions with Jobel Lifestyle Pte Ltd

Rental of luxury yachts	-	78	-	-
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## REVENUE

### Keppel Shipyard Limited

Fabrication of topside modules and other ad-hoc projects (other services)	-	-	8,113	-
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### Keppel FELS Limited

Other ad-hoc projects (other services)	-	-	4,306	-
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# Directors' Report

For the financial period from 1 June 2011 to 31 December 2011

The directors present their report to the shareholders together with the audited financial statements of the Group for the financial period from 1 June 2011 to 31 December 2011 and the balance sheet of the Company as at 31 December 2011.

## CHANGE OF FINANCIAL YEAR END DATE

On 20 December 2011, the Group announced a change of the financial year end date from 31 May to 31 December. As a result of the change in financial year end date, the consolidated financial statements and this report of the Directors now presented cover a period of seven months from 1 June 2011 to 31 December 2011.

## 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	
Yeo Chien Sheng Nelson	
Dr Ong Seh Hong	
Teo Boon Hwee	(alternate to Lim Tze Jong, appointed on 28 June 2011)
Wong Ngiam Jih	(alternate to Yeo Chien Sheng Nelson, appointed on 28 June 2011)

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial period 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 period had any interest in the shares or debentures of the Company or its related corporations, except as follows:

### Directors' interests in shares or debentures

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.12.2011	At 01.06.2011 or date of appointment, if later	At 31.12.2011	At 01.06.2011 or date of appointment, if later
<b>Company</b>				
(No. of ordinary shares)				
Lim Tze Jong	464,285,000	464,285,000	-	-
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' interest in the ordinary shares of the Company as at 21 January 2012 were the same as those as at 31 December 2011.

# Directors' Report

For the financial period from 1 June 2011 to 31 December 2011

## 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 Yeo Chien Sheng Nelson has an employment relationship with a related corporation, and has received remuneration in that capacity.

## SHARE OPTIONS

No options were granted during the financial period from 1 June 2011 to 31 December 2011 to subscribe for unissued shares of the Company.

No shares have been issued during the financial period 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 period.

## AUDIT COMMITTEE

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

Tan Soo Kiat (Chairman)  
Yeo Chien Sheng Nelson  
Dr Ong Seh Hong

All members of the Audit Committee were non-executive directors. Except for Mr Yeo Chien Sheng Nelson who was an Executive Director of a related corporation 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 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 international 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 and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- (e) To review the co-operation given by the Management to the external auditors;
- (f) To recommend to the Board, the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;
- (g) To review and ratify any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- (h) To review any potential conflicts of interest;

# Directors' Report

For the financial period from 1 June 2011 to 31 December 2011

## AUDIT COMMITTEE (continued)

- (i) To review the procedures by which employees of the Group may, in confidence, report to the Chairman of the Audit Committee, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions in relation thereto;
- (j) To undertake such other reviews and projects as may be requested by the Board of Directors, and to report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;
- (k) To review all non-audit services provided by the external auditors to ensure that they would not in the Committee's opinion affect the independence of the auditors;
- (l) To review the adequacy of the Company's internal financial controls, operational and compliance controls and risk management policies and systems established by the Management;
- (m) To review and approve foreign exchange hedging policies implemented by the Group and conduct periodic review of foreign exchange transactions and hedging policies and procedures;
- (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;
- (o) To review and discuss with the external auditors any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position and Management's response.

The AC has full access to the Company's internal auditor and Management and has full discretion to invite any director and executive officer to attend its meetings and investigate any matter within its terms of reference. In performing its functions, the AC also reviews the assistance given by the Company's officers to the auditors as well as the adequacy of the internal audit function, its effectiveness and its resources. The AC meets with the internal auditor at least half-yearly. The internal auditor can approach any of the members of the AC without the presence of the Company's 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 period ended 31 December 2011 was approximately S\$307,000, of which audit fees amounted to approximately S\$260,000 and non-audit fees amounted to approximately S\$47,000.

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 2012

# Statement by Directors

For the financial period from 1 June 2011 to 31 December 2011

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 38 to 83 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 2011 and of the results of the business, changes in equity and cash flows of the Group for the seven months 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 2012

# Independent Auditor's Report

To the Members 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 38 to 83, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2011, the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows of the Group for the seven months 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 controls 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 controls. 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.

# Independent Auditor's Report

To the Members of Dyna-Mac Holdings Ltd.

## 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 2011, and the results, changes in equity and cash flows of the Group for the seven months ended on 31 December 2011.

## Other matters

The consolidated financial statements of the Group for the financial year ended 31 May 2011 were audited by another auditor, who expressed an unmodified audit opinion on those financial statements in their report dated 22 July 2011.

## 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 Certified Public Accountants**

Singapore,

28 March 2012

# Consolidated Statement of Comprehensive Income

As at 31 December 2011

		Group	
	Notes	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Revenue	4	49,706	167,851
Cost of sales	5	(36,548)	(117,524)
Gross profit		13,158	50,327
Other income - net	7	3,221	1,338
Expenses			
- Administrative	5	(10,236)	(20,974)
- Finance	8	(89)	(753)
Share of loss of an associated company	16	*	(28)
Profit before income tax		6,054	29,910
Income tax expense	9(a)	(439)	(5,064)
<b>Net profit</b>		<b>5,615</b>	<b>24,846</b>
<b>Other comprehensive income/(loss):</b>			
Currency translation differences arising from consolidation		16	(8)
<b>Total comprehensive income, net of tax</b>		<b>5,631</b>	<b>24,838</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		5,615	24,846
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		5,631	24,838
<b>Earnings per share attributable to equity holders of the Company (SGD cents per share)</b>			
- Basic/diluted	25	0.60	3.24

\* Amount is less than \$1,000

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

# Balance Sheets

As at 31 December 2011

	Notes	Group		Company	
		31 December 2011 \$'000	31 May 2011 \$'000	31 December 2011 \$'000	31 May 2011 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	10	28,207	81,992	651	21,755
Trade and other receivables	11	36,512	67,758	81,104	75,635
Inventories	12	1,443	2,002	-	-
Construction contracts	13	716	30	-	-
Other current assets	14	2,478	349	20	60
		<b>69,356</b>	<b>152,131</b>	<b>81,775</b>	<b>97,450</b>
<b>Non-current assets</b>					
Club memberships		407	407	-	-
Investment in subsidiaries	15	-	-	25,476	25,476
Investment in an associated company	16	63	63	-	-
Investment properties	17	12,000	9,942	-	-
Property, plant and equipment	18	77,268	65,581	-	-
		<b>89,738</b>	<b>75,993</b>	<b>25,476</b>	<b>25,476</b>
<b>Total assets</b>		<b>159,094</b>	<b>228,124</b>	<b>107,251</b>	<b>122,926</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	19	36,044	74,674	268	600
Derivative financial instruments	20	72	-	-	-
Borrowings	21	197	4,529	-	-
Current income tax liabilities	9(b)	2,893	3,988	-	-
		<b>39,206</b>	<b>83,191</b>	<b>268</b>	<b>600</b>
<b>Non-current liabilities</b>					
Borrowings	21	124	12,078	-	-
Deferred income tax liabilities	23	4,822	4,941	-	-
		<b>4,946</b>	<b>17,019</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>44,152</b>	<b>100,210</b>	<b>268</b>	<b>600</b>
<b>NET ASSETS</b>		<b>114,942</b>	<b>127,914</b>	<b>106,983</b>	<b>122,326</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	24	99,603	99,603	99,603	99,603
Foreign currency translation reserve		(34)	(50)	-	-
Retained profits		15,373	28,361	7,380	22,723
<b>Total equity</b>		<b>114,942</b>	<b>127,914</b>	<b>106,983</b>	<b>122,326</b>

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

# Consolidated Statement of Changes in Shareholders' Equity

For the financial period from 1 June 2011 to 31 December 2011

	Attributable to equity holders of the Company					Total equity \$'000
	Share capital \$'000	Retained profits \$'000	Foreign currency translation reserve* \$'000	Total \$'000	Non-controlling interests \$'000	
<b>31 December 2011</b>						
<b>Beginning of financial period</b>	99,603	28,361	(50)	127,914	-	127,914
Dividend relating to the year ended 31 May 2011 paid	-	(18,603)	-	(18,603)	-	(18,603)
Total comprehensive income for the period	-	5,615	16	5,631	-	5,631
End of financial period	99,603	15,373	(34)	114,942	-	114,942
<b>31 May 2011</b>						
<b>Beginning of financial year</b>	26,476	3,515	(42)	29,949	42	29,991
Total comprehensive income for the year	-	24,846	(8)	24,838	-	24,838
Disposal of a subsidiary	-	-	-	-	(42)	(42)
Shares issued pursuant to Initial Public Offering ("IPO")	75,567	-	-	75,567	-	75,567
Share issue expenses	(2,440)	-	-	(2,440)	-	(2,440)
<b>End of financial year</b>	99,603	28,361	(50)	127,914	-	127,914

\* 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 period from 1 June 2011 to 31 December 2011

	Notes	Group	
		1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
<b>Cash flows from operating activities</b>			
Net profit		5,615	24,846
Adjustments for:			
- Income tax expense	9(a)	439	5,064
- Depreciation of property, plant and equipment	18	3,892	6,671
- Gain on disposal of property, plant and equipment		(23)	(54)
- Write-off of property, plant and equipment		-	342
- Interest income	7	(189)	(63)
- Interest expense	8	89	753
- Fair value gain on investment properties	17	(2,058)	-
- Fair value loss on derivative financial instruments	20	72	-
- Share of loss of an associated company		*	28
- Unrealised currency translation (gain)/loss		(96)	43
		<u>7,741</u>	<u>37,630</u>
Changes in working capital			
- Trade and other receivables		31,246	(14,850)
- Construction contract work-in-progress		(686)	(30)
- Inventories		559	686
- Other current assets		(2,129)	1,802
- Trade and other payables		(38,630)	(14,642)
Cash (used in)/generated from operations		<u>(1,899)</u>	<u>10,596</u>
Interest received		189	37
Income tax paid	9(b)	(1,653)	(6,910)
<b>Net cash (used in)/provided by operating activities</b>		<u>(3,363)</u>	<u>3,723</u>
<b>Cash flows from investing activities</b>			
- Additions to property, plant and equipment		(15,443)	(9,257)
- Improvements to investment properties	17	-	(26)
- Disposal of property, plant and equipment		23	750
- Investment in an associated company	16	-	(12)
- Additions to club membership		-	(371)
- Disposal of club membership		-	41
- Decrease/(increase) in bank deposits with maturity more than 3 months		11,962	(21,123)
<b>Net cash used in investing activities</b>		<u>(3,458)</u>	<u>(29,998)</u>

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

# Consolidated Statement of Cash Flows

For the financial period from 1 June 2011 to 31 December 2011

	Notes	Group	
		1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
<b>Cash flows from financing activities</b>			
- Repayment of lease liabilities		(165)	(708)
- Repayment of borrowings		(16,258)	(4,300)
- Proceeds from issuance of ordinary shares		-	75,567
- Share issue expenses		-	(2,440)
- Interest expense paid	8	(89)	(753)
- Dividends paid to equity holders of the Company	26	(18,603)	(13,422)
- Decrease in bank deposits pledged		18,000	1,103
<b>Net cash (used in)/provided by financing activities</b>		<b>(17,115)</b>	<b>55,047</b>
<b>Net (decrease)/increase in cash and cash equivalent</b>		<b>(23,936)</b>	<b>28,772</b>
<b>Cash and cash equivalents</b>			
Beginning of financial year		42,030	13,304
Effects of currency translation on cash and cash equivalents		113	(46)
End of financial year	10	<b>18,207</b>	<b>42,030</b>

\* Amount is less than \$1,000

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

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

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 Singapore Exchange Securities Trading Limited ("SGX-ST") and 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 35 to the financial statements.

During the financial period, the Group has changed its financial year-end from 31 May to 31 December. Consequently, the reporting period for these sets of consolidated financial statements cover a period of 7 months from 1 June 2011 to 31 December 2011 whereas the comparative period covers a period of 12 months for the financial year ended 31 May 2011.

## 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 its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical 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.

#### Interpretations and amendments to published standards effective in 2011

On 1 June 2011, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

Consistent with the results for the financial year ended 31 May 2011, the Group has early adopted the amendment to FRS 12 *Deferred Tax: Recovery of Underlying Assets* in the results for the seven months ended 31 December 2011. The amended FRS 12 has introduced a presumption that an investment property measured at fair value is recovered entirely by sale.

### 2.2 Revenue recognition

Revenue comprise the fair value of the consideration received or recoverable 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 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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Revenue recognition (continued)

#### (b) Interest income

Interest income is recognised using the effective interest method.

#### (c) Rental income

Rental income arising from operating leases (net of any incentive given to the lessees) is accounted for on a straight-line basis over the lease term.

### 2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

### 2.4 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. 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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Group accounting (continued)

#### (a) Subsidiaries (continued)

##### (ii) Acquisitions (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill.

##### (iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment 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) Transaction 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 in a separate reserve 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%. Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

##### (i) Acquisitions

Investment 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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Group accounting (continued)

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

##### (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 companies are 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 or losses arising from partial disposals or dilutions in investment in associated company in which significant influence is retained are recognised in profit or loss.

Investment 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.

### 2.5 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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Property, plant and equipment (continued)

#### (b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Office building	22 years
Furniture and fittings and office equipments	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 income - net". Any amount in revaluation reserve relating to that asset is transferred to retained profits directly.

### 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.

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

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Construction contracts (continued)

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".

### 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 Note 17.

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 investments in subsidiaries and associated company, 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) 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.

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 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 an 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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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" and "cash and bank balances" 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.

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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 item 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 analyses, are also used to determine the fair values of the financial instruments.

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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 property, plant and equipment and borrowings 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.

##### (i) 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 lease are added to the carrying amount of the leased asset 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.

### 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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Income taxes (continued)

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. The Group operates a defined contribution plan.

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.

#### (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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.21 Currency translation (continued)

#### (b) Transactions and balances (continued)

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 income - 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.

### 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.

## 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.

#### (a) 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 13.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

### (b) Uncertain tax position

The Group is subject to income taxes in Singapore and Malaysia. In determining the income tax liabilities (Note 9(b)), management is required to estimate the amount of capital allowances and the deductibility of certain tax expenses ("uncertain tax positions") at each tax jurisdiction. The Group has open tax assessments at the reporting date. As management believes that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions. The carrying amount of income tax and deferred tax is disclosed in Note 9 and Note 23 respectively.

## 4. REVENUE

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Module business	41,034	167,829
Ad-hoc projects (other services)	8,672	22
<b>Total Revenue</b>	<b>49,706</b>	<b>167,851</b>

## 5. EXPENSES BY NATURE

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Direct overheads <sup>(a)</sup>	13,639	20,986
Sub-contractor's charges	11,629	69,226
Materials	8,904	24,543
Employee compensation (Note 6)	6,626	13,107
Rental expenses	1,459	2,927
Legal and professional fees	773	1,753
Write-down of inventories	968	-
Insurance	422	591
Advertising and marketing expenses	411	1,287
Transportation and travelling	411	957
Property tax	401	729
Depreciation of property, plant and equipment	291	707
Entertainment and refreshment	128	567
Other expenses	722	1,118
<b>Total cost of sales and administrative expenses</b>	<b>46,784</b>	<b>138,498</b>

(a) Included in the direct overhead expenses for the seven months ended 31 December 2011 and financial year ended 31 May 2011 is depreciation of property, plant and equipment directly used in the projects amounting to \$3,601,000 (May 2011: \$5,964,000).

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 6. EMPLOYEE COMPENSATION

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Wages and salaries	5,047	10,653
Employer's contribution to defined contribution plans	406	603
Other short-term benefits	1,173	1,851
	<b>6,626</b>	<b>13,107</b>

## 7. OTHER INCOME - NET

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Other income:		
Interest income - bank deposits	189	63
Rental income		
- Warehouse, office and container	40	124
- Investment properties (Note 17)	56	154
Write-back of allowance for impairment of trade receivables	-	1,481
Government Grant - Jobs credit scheme	-	36
Other	156	121
	<b>441</b>	<b>1,979</b>
Other gains/(losses) - net		
Fair value gain on investment property (Note 17)	2,058	-
Reimbursements from customer	675	-
Gain on disposal of property, plant and equipment	23	54
Fair value loss on derivative financial instruments	(72)	-
Foreign exchange gain, net	96	(695)
	<b>2,780</b>	<b>(641)</b>
<b>Total other income - net</b>	<b>3,221</b>	<b>1,338</b>

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 8. FINANCE EXPENSES

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Interest expense		
- Bank borrowings	80	708
- Finance lease liabilities	9	45
	<b>89</b>	<b>753</b>

## 9. INCOME TAXES

### (a) Income tax expense

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Tax expense attributable to profit is made up of:		
- Current income tax	529	5,910
- Deferred income tax (Note 23)	216	(436)
	<b>745</b>	<b>5,474</b>
Under/(over) provision in prior financial years:		
- Current income tax	29	(46)
- Deferred income tax (Note 23)	(335)	(364)
	<b>439</b>	<b>5,064</b>

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

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Profit before income tax	<b>6,054</b>	29,910
Tax calculated at rate of 17% (May 2011: 17%)	1,029	5,085
Effects of		
- Expenses not deductible for tax purposes	176	337
- Income not subject to tax	(436)	(21)
- Partial tax exemption	(26)	(26)
- Different tax rates in other countries	2	99
Tax charge	<b>745</b>	<b>5,474</b>

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 9. INCOME TAXES (continued)

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

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Beginning of financial period	3,988	5,034
Income tax paid	(1,653)	(6,910)
Tax expense	529	5,910
Under/(over) provision in prior financial years	29	(46)
	<b>2,893</b>	<b>3,988</b>

## 10. CASH AND BANK BALANCES

	Group		Company	
	31 December 2011 \$'000	31 May 2011 \$'000	31 December 2011 \$'000	31 May 2011 \$'000
Cash at bank and on hand	7,104	42,030	651	21,755
Short-term bank deposits	21,103	39,962	-	-
	<b>28,207</b>	<b>81,992</b>	<b>651</b>	<b>21,755</b>

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

	Group		Company	
	31 December 2011 \$'000	31 May 2011 \$'000	31 December 2011 \$'000	31 May 2011 \$'000
Cash and bank balances balances (as above)	28,207	81,992	651	21,755
Less: Bank deposits pledged	-	(18,000)	-	-
Less: Bank deposits with maturity more than 3 months	(10,000)	(21,962)	-	-
Cash and cash equivalents per consolidated statement of cash flows	<b>18,207</b>	<b>42,030</b>	<b>651</b>	<b>21,755</b>

Bank deposits pledged as at 31 May 2011, are in relation to the security granted for some borrowings (Note 21).

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2011 \$'000	31 May 2011 \$'000	31 December 2011 \$'000	31 May 2011 \$'000
Trade receivables				
- Non-related parties	11,171	53,194	-	-
- Related party	1,799	42	-	-
	<b>12,970</b>	<b>53,236</b>	-	-
Less: Allowance for impairment of receivables - non-related parties (Note 29(b)(ii))	-	(166)	-	-
Trade receivables - net	<b>12,970</b>	<b>53,070</b>	-	-
Construction contracts				
- Due from customers (Note 13)	<b>22,001</b>	13,308	-	-
Dividend receivable	-	-	<b>4,000</b>	-
Advances to subsidiaries	-	-	<b>77,104</b>	75,635
Staff loans	<b>84</b>	87	-	-
Other receivables	<b>1,457</b>	1,293	-	-
	<b>36,512</b>	<b>67,758</b>	<b>81,104</b>	<b>75,635</b>

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

## 12. INVENTORIES

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
Steel and consumables	<b>1,443</b>	<b>2,002</b>

The cost of materials recognised as an expense and included in "cost of sales" amounts to \$1,282,000 (May 2011: \$686,000).

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 13. CONSTRUCTION CONTRACTS

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
<b>Construction contract work-in-progress:</b>		
Beginning of financial period	30	*
Contract costs incurred	37,234	117,553
Contract expenses recognised in profit or loss	(36,548)	(117,523)
End of financial period	716	30
Aggregate costs incurred and profits recognised less recognised (losses) to date on uncompleted construction contracts	47,640	152,758
Less: Progress billings	(25,639)	(139,816)
	22,001	12,942
Presented as:		
Due from customers on construction contracts (Note 11)	22,001	13,308
Due to customers on construction contracts (Note 19)	-	(366)
	22,001	12,942
Advances received on construction contracts (Note 19)	952	1,218

\* Amount is less than \$1,000

## 14. OTHER CURRENT ASSETS

	Group		Company	
	31 December 2011 \$'000	31 May 2011 \$'000	31 December 2011 \$'000	31 May 2011 \$'000
Deposits	307	201	-	-
Prepayments	2,171	148	20	60
	2,478	349	20	60

## 15. INVESTMENTS IN SUBSIDIARIES

	Company	
	31 December 2011 \$'000	31 May 2011 \$'000
Equity investments at cost		
Beginning of financial period	25,476	25,531
Disposal	-	(55)
End of financial period	25,476	25,476

Details of the Group's subsidiaries are included in Note 35.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 16. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
Beginning of financial period	63	81
Capital injection	-	12
Share of losses	*	(30)
End of financial period	<u>63</u>	<u>63</u>

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

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
Assets	191	191
Liabilities	-	-
Revenue	-	-
Net loss	*	(90)

\* Amount is less than \$1,000

Details of the Group's associated company are included in Note 35.

## 17. INVESTMENT PROPERTIES

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
Beginning of financial period	9,942	9,916
Improvements	-	26
Fair value gain recognised in profit or loss (Note 7)	<u>2,058</u>	-
End of financial period	<u>12,000</u>	<u>9,942</u>

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 key assumptions used to determine the fair value of investment properties include recent offers, receipt of contractual rent, expected future market rents and market conditions existing at the balance sheet date. In relying on the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market condition.

Investment properties are leased to non-related parties under operating leases (Note 27(c)).

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 17. INVESTMENT PROPERTIES (continued)

The following amounts are recognised in profit and loss:

	Group	
	31 December 2011	31 May 2011
	\$'000	\$'000
Rental income (Note 7)	56	154
Direct operating expenses arising from:		
- Investment properties that generated rental income	(51)	(144)

## 18. PROPERTY, PLANT AND EQUIPMENT

	Office building	Furniture and fittings and office equipment	Computers	Site building and yard improvement	Site equipment and tools	Motor vehicles	Site building, equipment and yard improvement under construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>								
<b>31 December 2011</b>								
<b>Cost</b>								
Beginning of financial period	933	3,441	1,511	60,788	18,874	1,157	5,764	92,468
Additions	-	61	165	52	782	671	13,848	15,579
Disposals	-	-	-	-	(111)	-	-	(111)
End of financial period	933	3,502	1,676	60,840	19,545	1,828	19,612	107,936
<b>Accumulated depreciation</b>								
Beginning of financial period	719	1,902	1,332	8,798	13,677	459	-	26,887
Charge for the financial period	6	176	96	1,489	1,945	180	-	3,892
Disposals	-	-	-	-	(111)	-	-	(111)
End of financial period	725	2,078	1,428	10,287	15,511	639	-	30,668
<b>Net book value</b>								
End of financial period	208	1,424	248	50,553	4,034	1,189	19,612	77,268

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building \$'000	Office building \$'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>31 May 2011</b>									
<b>Cost</b>									
Beginning of financial year	126	933	3,353	1,404	58,609	18,624	1,374	-	84,423
Additions	-	-	88	107	2,179	769	696	5,764	9,603
Disposals	(126)	-	-	-	-	(42)	(913)	-	(1,081)
Written-off	-	-	-	-	-	(477)	-	-	(477)
End of financial year	-	933	3,441	1,511	60,788	18,874	1,157	5,764	92,468
<b>Accumulated depreciation</b>									
Beginning of financial year	30	707	1,604	1,170	6,190	10,562	471	-	20,734
Charge for the financial year	1	12	298	162	2,608	3,293	297	-	6,671
Disposals	(31)	-	-	-	-	(43)	(309)	-	(383)
Written-off	-	-	-	-	-	(135)	-	-	(135)
End of financial year	-	719	1,902	1,332	8,798	13,677	459	-	26,887
<b>Net book value</b>									
<b>End of financial year</b>	-	214	1,539	179	51,990	5,197	698	5,764	65,581

- (a) Included in additions in the consolidated financial statements are motor vehicles acquired under finance leases amounting to \$252,000 (May 2011: \$671,000).

The carrying amounts of site equipment and tools, and motor vehicles held under finance leases are \$39,000 (May 2011: \$209,000) and \$741,000 (May 2011: \$662,000) respectively at the balance sheet date.

- (b) Bank borrowings as at 31 May 2011 secured on freehold land, building and office buildings of the Group with an aggregate carrying amount of \$17,766,000 at 31 May 2011 have been fully repaid during the seven months ended 31 December 2011.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 19. TRADE AND OTHER PAYABLES

	Group		Company	
	31 December 2011 \$'000	31 May 2011 \$'000	31 December 2011 \$'000	31 May 2011 \$'000
Trade payables to:				
- Non-related parties	29,601	66,375	-	-
Construction contracts				
- Advances received (Note 13)	952	1,218	-	-
- Due to customers (Note 13)	-	366	-	-
	952	1,584	-	-
Non-trade amounts due to:				
- An associated company	22	22	-	-
- A director	268	267	-	-
	290	289	-	-
Other payables	608	1,034	76	358
Accrual for operating expenses	4,593	5,392	192	242
	36,044	74,674	268	600

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

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		
	Contract notional amount US\$'000	Asset \$'000	Liability \$'000
<b>31 December 2011</b>			
Non-hedging instruments			
- Currency forwards	51,500	-	72
<b>31 May 2011</b>			
Non-hedging instruments			
- Currency forwards	-	-	-

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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 21. BORROWINGS

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
<b>Current</b>		
Bank borrowings	-	4,284
Finance lease liabilities (Note 22)	197	245
	<u>197</u>	<u>4,529</u>
<b>Non-current</b>		
Bank borrowings	-	11,974
Finance lease liabilities (Note 22)	124	104
	<u>124</u>	<u>12,078</u>
<b>Total borrowings</b>	<u>321</u>	<u>16,607</u>

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
Not later than one year	197	4,529
Between one and five years	124	7,453
Over five years	-	4,625
<b>Total borrowings</b>	<u>321</u>	<u>16,607</u>

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

As at 31 May 2011, the fair values of non-current borrowings approximate their carrying amounts. Subsequent to the financial year, bank borrowings amounting to \$16,258,000 have been repaid to the banks using the proceeds from the initial public offering.

## 22. 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 18(a))

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
Minimum lease payments due		
- Not later than one year	205	256
- Between one and five years	129	108
	<u>334</u>	<u>364</u>
Less: Future finance charges	(13)	(15)
<b>Present value of finance lease liabilities</b>	<u>321</u>	<u>349</u>

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 22. FINANCE LEASE LIABILITIES (continued)

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group	
	31 December 2011	31 May 2011
	\$'000	\$'000
- Not later than one year (Note 21)	197	245
- Between one and five years (Note 21)	124	104
	321	349

## 23. 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	
	31 December 2011	31 May 2011
	\$'000	\$'000
<b>Deferred income tax liabilities</b>		
- To be settled within one year	418	617
- To be settled after one year	4,404	4,324
	4,822	4,941

The movement in the deferred income tax account is as follows:

	Group	
	31 December 2011	31 May 2011
	\$'000	\$'000
<b>Accelerated tax depreciation</b>		
Beginning of financial period	4,941	5,741
Tax credited to profit or loss (Note 9(a))	(119)	(800)
End of financial period	4,822	4,941

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 24. SHARE CAPITAL

	No. of ordinary shares	Amount \$'000
<b>Group and Company</b>		
<b>31 December 2011</b>		
Beginning and end of financial period	930,192,000	99,603
<b>31 May 2011</b>		
Beginning of financial year	26,475,853	26,476
Sub-division of shares	714,285,000	-
Shares issued pursuant to initial public offering	215,907,000	75,567
Share issue expenses	-	(2,440)
End of financial year	930,192,000	99,603

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.

## 25. 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 period.

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Net profit attributable to equity holders of the Company (\$'000)	5,615	24,846
Weighted average number of ordinary shares outstanding ('000)	930,192	765,920
Basic/diluted earnings per share (cents per share)	0.60	3.24

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 26. DIVIDENDS

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 2 cents per share	<u>18,603</u>	<u>13,422</u>

Dividends of \$13,422,000 paid during the financial year ended 31 May 2011 relates to the remaining dividends declared but not yet paid for the financial year ended 31 May 2010.

At the Annual General Meeting on 26 April 2012, a final dividend of 0.5 cents per share amount to a total of \$4,650,960 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 ended 31 December 2012.

## 27. COMMITMENTS

### (a) Capital commitments

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

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
Property, plant and equipment	<u>2,405</u>	<u>23,155</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	
	31 December 2011 \$'000	31 May 2011 \$'000
Not later than one year	2,591	2,473
Between one and five years	9,934	9,664
Over five years	<u>37,326</u>	<u>37,427</u>
	<u>49,851</u>	<u>49,564</u>

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 27. COMMITMENTS (continued)

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

The Group leases out investment properties and 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	
	31 December 2011 \$'000	31 May 2011 \$'000
Not later than one year	<u>65</u>	<u>23</u>

## 28. 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.

## 29. FINANCIAL RISK MANAGEMENT

### Financial risk factors

The Group's activities expose it to market 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.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 29. FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

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

In addition, the Group selectively hedges the foreign currency exposure for 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.

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

	SGD \$'000	USD \$'000	Other \$'000	Total \$'000
<b>31 December 2011</b>				
<b>Financial assets</b>				
Cash and bank balances	27,010	832	365	28,207
Trade and other receivables	30,573	5,889	50	36,512
Deposits	294	-	13	307
	<u>57,877</u>	<u>6,721</u>	<u>428</u>	<u>65,026</u>
<b>Financial liabilities</b>				
Trade and other payables	(34,758)	(61)	(273)	(35,092)
Derivative financial instruments	(72)	-	-	(72)
Borrowings	(321)	-	-	(321)
	<u>(35,151)</u>	<u>(61)</u>	<u>(273)</u>	<u>(35,485)</u>
<b>Net financial assets</b>	22,726	6,660	155	29,541
Add: Net non-financial assets	85,338	-	63	85,401
<b>Net Assets</b>	108,064	6,660	218	114,942
Add: Firm commitments and highly probable forecast transactions in foreign currencies	-	65,994	-	65,994
Less: Currency forwards	-	(66,066)	-	(66,066)
<b>Currency profile including non-financial assets and liabilities</b>	<u>108,064</u>	<u>6,588</u>	<u>218</u>	<u>114,870</u>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>	<u>-</u>	<u>6,588</u>	<u>155</u>	<u>6,743</u>

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 29. FINANCIAL RISK MANAGEMENT (continued)

### (a) Market risk (continued)

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

	SGD \$'000	USD \$'000	Other \$'000	Total \$'000
<b>31 May 2011</b>				
<b>Financial assets</b>				
Cash and bank balances	76,271	5,313	408	81,992
Trade and other receivables	57,781	9,846	131	67,758
Deposits	184	-	17	201
	<u>134,236</u>	<u>15,159</u>	<u>556</u>	<u>149,951</u>
<b>Financial liabilities</b>				
Trade and other payables	(74,375)	(200)	(99)	(74,674)
Borrowings	(16,607)	-	-	(16,607)
	<u>(90,982)</u>	<u>(200)</u>	<u>(99)</u>	<u>(91,281)</u>
<b>Net financial assets</b>	43,254	14,959	457	58,670
Add: Net non-financial assets	69,180	-	64	69,244
<b>Currency profile including non-financial assets and liabilities</b>	<u>112,434</u>	<u>14,959</u>	<u>521</u>	<u>127,914</u>
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies</b>				
	<u>-</u>	<u>14,959</u>	<u>443</u>	<u>15,402</u>

If the USD changes against the SGD by 5% (May 2011: 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	
	31 December 2011 \$'000	31 May 2011 \$'000
USD against SGD		
- Strengthened	273	621
- Weakened	<u>(273)</u>	<u>(621)</u>

#### (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 strategy which was unchanged from the last financial year end at 31 May 2011 is to maintain 45%-55% of its borrowings in fixed rate instruments.

The Group and the Company has no significant interest-bearing assets and borrowings as at 31 December 2011.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 29. FINANCIAL RISK MANAGEMENT (continued)

### (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 bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient collateral. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Management based on ongoing credit evaluation. This includes monitoring the counterparty's payment profile and credit exposure periodically. Where necessary, customers are required to provide security or advance payment before services are rendered.

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

	Group	
	31 December 2011	31 May 2011
	\$'000	\$'000
<b>By types of customers</b>		
Related parties	1,799	42
Non-related parties - Multi-national companies	11,171	53,194
	<b>12,970</b>	<b>53,236</b>

The trade receivables of the Group comprise 5 debtors (May 2011: 3 debtors) that represented 95% - 98% of trade receivables.

As the Group and Company does 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	
	31 December 2011	31 May 2011
	\$'000	\$'000
Past due 0 to 3 months	6,341	18,884
Past due 3 to 6 months	1,553	-
Past due over 6 months	1,958	-
	<b>9,852</b>	<b>18,884</b>

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 29. FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit risk (continued)

#### (ii) Financial assets that are past due and/or impaired (continued)

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group	
	31 December 2011 \$'000	31 May 2011 \$'000
Gross amount	-	166
Less: Allowance for impairment (Note11)	-	(166)
	-	-
Beginning of financial period	166	1,647
Allowance utilised	(166)	-
Written back	-	(1,481)
End of financial period	-	166

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.

### (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 the 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	More than 5 years \$'000
<b>Group</b>			
<b>31 December 2011</b>			
Trade and other payables	35,092	-	-
Borrowings	205	129	-
	35,297	129	-
<b>31 May 2011</b>			
Trade and other payables	73,456	-	-
Borrowings	4,529	7,453	4,625
	77,985	7,453	4,625

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 29. FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity risk (continued)

	Less than 1 year \$'000	Between 1 and 5 Years \$'000	More than 5 years \$'000
<b>Company</b>			
<b>31 December 2011</b>			
Trade and other payables	268	-	-
<b>31 May 2011</b>			
Trade and other payables	600	-	-

### (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, total capital is calculated as total equity plus total debt.

The Group's strategy which remain unchanged during the financial period ended 31 May 2011 and 31 December 2011 is to maintain a gearing ratio of not exceeding 50%.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial period ended 31 December 2011 and financial year ended 31 May 2011.

	Group		Company	
	31 December 2011 \$'000	31 May 2011 \$'000	31 December 2011 \$'000	31 May 2011 \$'000
Total debt	321	16,607	-	-
Total equity	114,942	127,914	106,983	122,326
Total capital	115,263	144,521	106,983	122,326
<b>Gearing ratio</b>	*	11%	*	*

\* 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:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) 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
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 29. FINANCIAL RISK MANAGEMENT (continued)

### (e) Fair value measurements (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>				
<b>31 December 2011</b>				
Derivative financial instruments	-	72	-	72
<b>Total liabilities</b>	-	72	-	72
<b>31 May 2011</b>				
Derivative financial instruments	-	-	-	-
<b>Total liabilities</b>	-	-	-	-

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.

### (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 20, except for the following:

	Group		Company	
	31 December 2011 \$'000	31 May 2011 \$'000	31 December 2011 \$'000	31 May 2011 \$'000
Loans and receivables	64,719	149,750	81,755	97,390
Financial liabilities at amortised cost	321	16,607	-	-

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

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 30. RELATED PARTIES TRANSACTIONS

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

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
<b>Transactions with Speedgrow International Pte. Ltd.</b>		
Supply of machine and equipment	(21)	(269)
<b>Transactions with L &amp; W United Engineering Pte. Ltd.</b>		
Supply of manpower services	-	(194)
Sub-contracting services for steel and piping fabrication	(1,188)	(2,599)
Rental income of container office and equipment	5	5
Workers accommodation and utilities	-	5
<b>Transactions with Jobel Lifestyle Pte. Ltd.</b>		
Rental of luxury yachts	-	(78)
<b>Transactions with Keppel Shipyard Limited</b>		
Fabrication of topside modules and other ad-hoc projects (other services)	8,113	721
<b>Transactions with Keppel FELS Limited</b>		
Other ad-hoc projects (other services)	4,306	-

Speedgrow International Pte. Ltd., L & W United Engineering Pte. Ltd., and Jobel Lifestyle Pte. Ltd. are companies owned by close family members of the Group's key management personnel.

Keppel Shipyard Limited and Keppel FELS Limited are subsidiaries of a shareholder of the Group.

Outstanding balances as at 31 December 2011, arising from transactions with related parties, are unsecured and recoverable/payable within 12 months from balance sheet date and are disclosed in Note 11 and 19 respectively.

Outstanding commitments as at 31 December 2011, arising from transactions with related parties, include \$894,000 to L&W United Engineering Pte. Ltd. for purchases of its sub-contracting services for steel and piping fabrication.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 30. RELATED PARTIES TRANSACTIONS (continued)

### (b) Key management personnel compensation

Key management personnel compensation is analysed as follows:

	Group	
	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
<b>Directors</b>		
Wages and salaries	1,348	2,203
Employer's contribution to defined contribution plans, including Central Provident Fund	23	21
	1,371	2,224
<b>Senior Management</b>		
Wages and salaries	494	734
Employer's contribution to defined contribution plans, including Central Provident Fund	23	59
	517	793
	1,888	3,017

## 31. 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 project (other services).

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 31. SEGMENT INFORMATION (continued)

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Module Business \$'000	Ad-hoc Project (Other services) \$'000	Total \$'000
<b>1 June 2011 to 31 December 2011</b>			
<b>Revenue</b>			
Segment revenue to external parties	41,034	8,672	49,706
<b>Segment gross profit</b>	<b>11,720</b>	<b>1,438</b>	<b>13,158</b>
<b>As at 31 December 2011</b>			
<b>Segment assets</b>			
Segment assets includes:	109,086	5,312	114,398
Additions to property, plant and equipment	15,579	-	15,579
<b>Segment liabilities</b>	<b>26,309</b>	<b>4,244</b>	<b>30,553</b>
<b>1 June 2010 to 31 May 2011</b>			
<b>Revenue</b>			
Segment revenue to external parties	167,829	22	167,851
<b>Segment gross profit</b>	<b>50,324</b>	<b>3</b>	<b>50,327</b>
<b>As at 31 May 2011</b>			
<b>Segment assets</b>			
Segment assets includes:	130,982	3,009	133,991
Additions to property, plant and equipment	9,603	-	9,603
<b>Segment liabilities</b>	<b>66,996</b>	<b>963</b>	<b>67,959</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 the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 31. SEGMENT INFORMATION (continued)

### (a) Reconciliations

#### (i) Segment profits

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

	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Segment gross profit for reportable segments	13,158	50,327
Other income	3,221	1,338
Administrative expenses	(10,236)	(20,974)
Finance expenses	(89)	(753)
Share of loss of an associated company	*	(28)
Profit before income tax	6,054	29,910
Income tax expense	(439)	(5,064)
<b>Net profit</b>	<b>5,615</b>	<b>24,846</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 the property, plant and equipment, 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, club memberships, investment in an associated company and investment properties.

Segment assets are reconciled to total assets as follows:

	As at 31 December 2011 \$'000	As at 31 May 2011 \$'000
Segment assets for reportable segments	114,398	133,991
Unallocated		
- Cash and cash equivalents	28,207	81,992
- Other receivables	1,541	1,380
- Other current assets	2,478	349
- Club memberships	407	407
- Investment in an associated company	63	63
- Investment properties	12,000	9,942
	<b>159,094</b>	<b>228,124</b>

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 31. 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, derivatives, borrowings, current income tax liabilities and deferred income tax liabilities.

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 December 2011 \$'000	As at 31 May 2011 \$'000
Segment liabilities for reportable segments	30,553	67,959
Unallocated		
- Other payables	5,491	6,715
- Derivatives	72	-
- Borrowings	321	16,607
- Current income tax liabilities	2,893	3,988
- Deferred income tax liabilities	4,822	4,941
	<u>44,152</u>	<u>100,210</u>

### (b) Geographical information

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

	1 June 2011 to 31 December 2011 \$'000	1 June 2010 to 31 May 2011 \$'000
Asia Pacific	27,890	91,078
Europe	21,816	76,773
	<u>49,706</u>	<u>167,851</u>

The Group's property, plant and equipment are located solely in Singapore as at 31 December 2011 and 31 May 2011.

### (c) Revenue from major customers

At balance sheet date, the Group's three largest customers by revenue in aggregate, accounted for 82% of total revenue (May 2011 : 95%).

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 32. COMPARATIVES

Prior year comparatives have been audited by another firm of certified public accountants.

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current period's financial statements. As a result, certain line items have been amended on the face of the balance sheets and the related notes to the financial statements.

In addition, the following comparative figures have been adjusted to conform with the current year's presentation:

	Group		Company	
	31 May 2011 balances as restated \$'000	31 May 2011 balances as previously reported \$'000	31 May 2011 balances as restated \$'000	31 May 2011 balances as previously reported \$'000
<b>Balance Sheet</b>				
Non-trade amounts due from subsidiaries	-	-	-	75,635
Advances to subsidiaries	-	-	75,635	-
Accrual for staff bonus	-	1,883	-	-
Employee tax retention	-	1,169	-	-
Accrual for operating expenses	5,392	2,340	242	242
Final dividend paid in respect of the previous financial year	13,422	-	-	-
<b>Profit and loss</b>				
Module business	167,829	165,414	-	-
Ad-hoc projects (other services)	22	2,437	-	-
Other income - net	1,338	2,033	-	-
Administrative expenses	(20,974)	(21,669)	-	-
Other short-term benefits	1,851	1,024	-	-
Repair and maintenance	16	843	-	-
<b>Consolidated statement of cash flows</b>				
Reversal of costs related to old complete project	-	(10,251)	-	-
Trade and other payables	(14,622)	(4,391)	-	-
Decrease/(increase) in bank deposits	(21,123)	(20,020)	-	-
Decrease in bank deposits pledged	1,103	-	-	-
Proceeds from issuance of ordinary shares	75,567	73,127	-	-
Share issue expenses	(2,440)	-	-	-
<b>Operating segment</b>				
	<b>Module business</b>			
Segment revenue to external parties	167,829	165,414	-	-
Segment gross profit	50,324	47,909	-	-
	<b>Ad-hoc projects</b>			
Segment revenue to external parties	22	2,437	-	-
Segment gross profit	3	2,418	-	-

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 33. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not early adopted:-

- Amendments to FRS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012)
- FRS 19 (revised 2011) - Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
- FRS 28 (revised 2011) - Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)
- FRS 110 - Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- FRS 111 - Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
- FRS 112 - Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013)
- FRS 113 - Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

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.

## 34. 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 2012.

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 35. LISTING OF COMPANIES IN THE GROUP

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

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			31 December 2011 %	31 May 2011 %
<b>Held by the Company</b>				
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
<b>Held by subsidiaries</b>				
Dyna-Mac Engineering Services Sdn. Bhd <sup>(c)</sup>	Contractors for construction works	Malaysia	100	100
Dyna-Mac Do Brasil construoies Ltda. <sup>(b)</sup>	(i) Fabrication, sale, installation and repair of modules for oil rigs, FSO and FPSO; and (ii) Land and marine services of engineering, project management and other related services to the exploration and exploitation of oil and gas	Brazil	100	100

# Notes to the Financial Statements

For the financial period from 1 June 2011 to 31 December 2011

## 35. LISTING OF COMPANIES IN THE GROUP (continued)

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

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			31 December 2011 %	31 May 2011 %
<b>Held by subsidiary</b>				
Eminent Offshore & Heavy Engineering Sdn. Bhd. <sup>(d)</sup>	Contractors for project management, engineering and construction of barges	Malaysia	33	33

(a) Audited by PricewaterhouseCoopers LLP, Singapore

(b) Not required to be audited under the law of the country of incorporation

(c) Audited by TY Teoh & Co Chartered Accountants, Malaysia, for local statutory purpose

(d) Audited by Chong Han Keong & Co, Malaysia, for local statutory purpose

# Analysis of Shareholdings

As at 15 March 2012

Class of Shares	: Ordinary Shares
Number of Ordinary Shares in issue	: 930,192,000
Voting Rights per share	: 1 vote per ordinary share
Treasury shares	: Nil

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	4	0.10	1,285	0.00
1,000 - 10,000	1,849	47.35	13,014,000	1.40
10,001 - 1,000,000	2,031	52.01	109,203,000	11.74
1,000,001 and above	21	0.54	807,973,715	86.86
	<b>3,905</b>	<b>100.00</b>	<b>930,192,000</b>	<b>100.00</b>

Based on the information available to the Company as at 15 March 2012, approximately 22.62% 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 15 MARCH 2012

No.	Name of Shareholder	No. of Shares Held	%
1	LIM TZE JONG	464,285,000	49.91
2	KS INVESTMENTS PTE LTD	250,000,000	26.88
3	DBSN SERVICES PTE LTD	23,625,000	2.54
4	HSBC (SINGAPORE) NOMINEES PTE LTD	15,037,408	1.62
5	DBS NOMINEES PTE LTD	6,868,627	0.74
6	DBS VICKERS SECURITIES (S) PTE LTD	6,604,000	0.71
7	OCBC SECURITIES PRIVATE LTD	5,102,000	0.55
8	CITIBANK NOMINEES SINGAPORE PTE LTD	4,941,680	0.53
9	PHILLIP SECURITIES PTE LTD	4,876,000	0.52
10	MAYBANK KIM ENG SECURITIES PTE LTD	3,984,000	0.43
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,982,000	0.43
12	CIMB SECURITIES (SINGAPORE) PTE LTD	3,490,000	0.37
13	UOB KAY HIAN PTE LTD	2,896,000	0.31
14	LIM TJEW YOK	2,000,000	0.22
15	VARGHESE JOHN	2,000,000	0.22
16	TEO BOON HWEE	1,500,000	0.16
17	TIONG SAI LAN	1,500,000	0.16
18	BANK OF SINGAPORE NOMINEES PTE LTD	1,440,000	0.15
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,314,000	0.14
20	CHEONG YEWE-JIN	1,300,000	0.14
		<b>806,745,715</b>	<b>86.73</b>

# Analysis of Shareholdings

As at 15 March 2012

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest (No. of Shares)	Deemed Interest (No. of Shares)	Total Interest (No. of Shares)	%
LIM TZE JONG	464,285,000	-	464,285,000	49.91
KS INVESTMENTS PTE LTD <sup>(1)</sup>	250,000,000	-	250,000,000	26.88
KEPPEL OFFSHORE & MARINE LIMITED <sup>(1)(2)</sup>	-	250,000,000	250,000,000	26.88
KEPPEL CORPORATION LIMITED <sup>(2)(3)</sup>	-	250,000,000	250,000,000	26.88
TEMASEK HOLDINGS (PRIVATE) LIMITED <sup>(3)</sup>	-	250,000,000	250,000,000	26.88

### 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 is deemed by virtue of Section 7(4A) of the Act to have an interest in the Shares held by Keppel Corporation Limited.

# Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Orchard Ballroom, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 on Thursday, 26 April 2012 at 9.00 a.m. for the purpose of transacting the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial period ended 31 December 2011 together with the Reports of the Directors and Auditors. (Resolution 1)
  2. To declare the First and Final Tax Exempt One-Tier Dividend of \$0.005 per share for the financial period ended 31 December 2011. (Resolution 2)
  - 3(a). To approve Directors' Fees of S\$17,500 for the financial period 1 June 2011 to 31 December 2011. (Resolution 3a)
  - 3(b). To approve Directors' Fees of S\$155,000 for the financial year ending 31 December 2012 to be paid quarterly in arrears. (Resolution 3b)
  4. To re-elect Mr Lim Tze Jong 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 Committees and a member of the Audit Committee.
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 the 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:

1. approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries, its target associated companies and corporations which become the Company's subsidiaries or target associated companies (the "Group") or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as described in the Appendix with any party who is of the class of Interested Persons as described in the Appendix provided that such transactions are made on an arm's length basis and on normal commercial terms and in accordance with the review procedures for such Interested Person Transactions as set out in the Appendix (the "Shareholders' Mandate");
  2. the approval given for the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company; and
  3. the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution.
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: 11 April 2012  
Singapore

# Notice of the 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 10 May 2012 for the preparation of dividend warrants. Duly completed registrable transfers received by the Company's Share Registrars, M & C Services Private Limited of 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906, up to 5.00 p.m. on 9 May 2012 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 9 May 2012 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 24 May 2012.

## Explanatory Notes

- Resolution 3a: This resolution is to approve the Directors' fees of S\$17,500 for Mr Yeo Chien Sheng Nelson, an Non-Independent Non-Executive Director of the Company, following the change of the company's financial year-end to 31 December 2011.
- Resolution 3b: This resolution is to approve the Directors' fees for the whole financial year ending 31 December 2012 following the change of financial year end (which fees are inclusive of such amount approved at the last Annual General Meeting held on 13 September 2011 on a pro-rata basis).
- 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 2011 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 \_\_\_\_\_  
(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 Orchard Ballroom, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 on Thursday, 26 April 2012 at 9.00 a.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		
3a	Approval of Directors' Fees for the financial period 1 June 2011 to 31 December 2011		
3b	Approval of Directors' Fees for the financial year ending 31 December 2012		
4	Re-election of Mr Lim Tze Jong 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		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

<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.

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