

PROSPECTUS DATED 21 FEBRUARY 2011

(Registered by the Monetary Authority of Singapore on 21 February 2011)

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional adviser.



We have applied to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares (the "Shares") in the capital of Dyna-Mac Holdings Ltd. (the "Company") already issued (including the Vendor Shares, as defined herein) as well as the new shares (the "New Shares") which are the subject of this Invitation (as defined herein) and the Over-allotment Shares (as defined herein) which may be issued upon the exercise of the Over-allotment Option (as defined herein). Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST.

Acceptance of applications for the Invitation Shares will be conditional upon, inter alia, the issue of the New Shares and the Over-allotment Shares and permission being granted by the SGX-ST to deal in, listing of and quotation for all of our existing issued Shares (including the Vendor Shares) and the New Shares and the Over-allotment Shares. If completion of the Invitation does not occur because the said permission is not granted or for any other reason, monies paid in respect of any application accepted will be returned to you subject to applicable laws, at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim whatsoever against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents (as defined herein). The dealing in and quotation of our Shares will be in Singapore dollars. Prior to this Invitation, there has been no public market for our Shares.

In connection with the Invitation, our Company has granted the Joint Underwriters the Over-allotment Option (as defined herein) to subscribe for up to 30,000,000 Over-allotment Shares (which represents approximately 6.88% of the Invitation Shares) at the Invitation Price exercisable in whole or in part on one or more occasions prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 30,000,000 Shares representing approximately 6.88% of the Invitation Shares to undertake stabilizing actions solely for the purpose of covering over-allotments (if any) of the Invitation Shares made in connection with the Invitation. The total number of issued Shares immediately after the completion of the Invitation (and prior to the exercise of the Over-allotment Option in full) will be 900,285,000 Shares. If the Over-allotment Option is exercised in full, the total number of issued Shares will increase by 30,000,000 Shares to 930,285,000 Shares.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, or opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares already issued (including the Vendor Shares), the New Shares or the Over-allotment Shares (if the Over-allotment Option is exercised).

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements has been complied with. The Authority has not, in any way, considered the merits of our Shares already issued (including the Vendor Shares), the New Shares or the Over-allotment Shares (if the Over-allotment Option is exercised), as the case may be, being offered for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

Investors should note that our Group has two major customers who in aggregate contributed 90.7%, 47.8%, 91.9% and 86.7% of our revenue for FY2008, FY2009, FY2010 and HY2011 respectively. There is no assurance that we will be able to retain our major customers or the volume of orders from our major customers will remain at current levels or prices. Any material cancellation, reduction in orders and/or claims for whatever reasons by any of our major customers will adversely affect our financial performance and financial position.

Investors should also note that our profitability and financial performance will depend on our ability to secure new customers and new projects on a regular basis. For period from 1 June 2010 to the Latest Practicable Date, we have total contracts worth \$138.0 million, comprising new contracts of \$43.4 million and contracts carried forward from the previous financial year of \$94.6 million. The amount of new contracts secured as at the Latest Practicable Date is substantially lower compared to those secured in FY2009 and FY2010. In addition, as at the Latest Practicable Date, we do not have any new projects for delivery in FY2012. Due to the project-based nature of our business, there is no assurance that we will be able to secure additional projects from our customers. If we are unable to do so for any reason, our profitability and financial performance will be materially and adversely affected. Please refer to the "Trends and Order Book" section of the Prospectus for more information on our order book.

Please refer to the section entitled "RISK FACTORS" of this Prospectus for other risk factors to be considered in connection with an investment in our Shares.

No shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.



DYNA-MAC HOLDINGS LTD.

(Company Registration No. 200305693E)
(Incorporated in the Republic of Singapore on 19 June 2003)

Invitation in respect of 436,000,000 Invitation Shares (subject to the Over-allotment Option (as defined herein)) comprising 186,000,000 New Shares and 250,000,000 Vendor Shares as follows:

- (a) 5,000,000 Offer Shares at \$0.35 each by way of public offer in Singapore; and**
- (b) 431,000,000 Placement Shares at \$0.35 each by way of placement,**

payable in full on application.

In connection with the Commitment Letters, KSL has provided a confirmation letter dated 17 February 2011, to subscribe for and/or purchase by itself or its nominee, 250,000,000 Placement Shares at \$0.35 each.

Applications should be received by 12.00 noon on 28 February 2011 or such other date and time as our Company and the Vendor may, in consultation with the Issue Manager, decide, subject to any limitation under all applicable laws.

Issue Manager



COLLINS STEWART PTE. LIMITED

(Company Registration No. 20073620D)
(Incorporated in the Republic of Singapore)

Joint Underwriters and Joint Placement Agents



UOB Kay Hian

UOB KAY HIAN PRIVATE LIMITED

CORPORATE PROFILE

We are a multi-disciplinary specialist provider of detailed engineering, procurement and construction services to the offshore oil and gas, marine construction and other industries.

Our principal business activities are the fabrication and assembly of topside modules for FPSOs and FSOs in Singapore. From time to time, we may also undertake ad hoc general engineering and fabrication projects for specialised structures for semi-submersibles and sub-sea products.

Our customers are located mainly in Asia Pacific, Europe and USA and include major engineering companies, owners and/or operators of FPSOs, FSOs and semi-submersibles which serve the oil and gas companies.

Our businesses are conducted at our yard facilities at Gul Road and Pandan Crescent in Singapore, which have a combined gross land area of approximately 140,300 square metres and maximum annual fabrication capacity of approximately 25,000 tons.

To expand our geographical coverage, we entered into a collaboration agreement with Keppel Shipyard Ltd ("KSL") in July 2010, under which KSL and our Group will collaborate in the Module Business outside Singapore mainly through joint ventures (subject to feasibility studies, appropriate due diligence, respective internal approvals and applicable rules in the Listing Manual) starting with Brazil and the PRC. We believe this strategic collaboration with KSL will strengthen our profile, help our Group to secure more projects, as well as allow us to tap into KSL's wider network, contacts, numerous affiliated yard facilities in the world, and strong expertise in related fields.

BUSINESS SEGMENTS

1 Module Business

Our Module Business involves detailed engineering, procurement and construction of topside modules for FPSOs and FSOs. It also involves integration of modules, refurbishment, maintenance and other services related to such topside modules installed on board FPSOs and FSOs.

2 Ad Hoc Projects

We undertake ad hoc general engineering and fabrication services for specialised structures for semi-submersibles and sub-sea products such as manifolds and buoys, as well as fabrication of heavy steel or mechanical structures, process piping and tanks for various types of petrochemical and pharmaceutical plants and other modular construction (other than topside modules for FPSO and FSO).

Photo: SBM Offshore



Thunderhawk FPSU-5500



Photo: SBM Offshore

FPSO Marlim Sul
(Utility Module)



FPSO Marlim Sul
(Injection Module Treatment)



COMPETITIVE STRENGTHS

Experienced and Dedicated Management Team

- Executive Chairman and CEO, Mr Lim Tze Jong, has more than 25 years of industry experience.
- He is assisted by an experienced senior management team, who have the requisite expertise and knowledge in the various functions.

Established Track Record

- Established a reputation as a reliable specialist in the fabrication and assembly of topside modules for FPSOs and FSOs over the last 11 years.
- Customers have continued to appoint us for their subsequent projects in respect of topside modules fabricated in Singapore and Malaysia.
- We have obtained OHSAS 18001:2007 certification by ABS Quality Evaluation, Inc.

Strong Engineering and Project Management Team

- Engineering and project management staff have the requisite expertise and knowledge of the oil and gas and marine construction industries.
- The team uses a production management system that enables our Group to achieve higher productivity, complete projects on schedule and avoid costly project overrun.

Large and Integrated Modern Sea Front Yard Facilities

- Main Yard has an uninterrupted waterfront shoreline of approximately 300 metres in length and a depth of up to nine metres, as well as a load-out bay with a capacity for loading heavy structures and topside modules of up to 27,000 tons.
- FPSO or FSO vessels of not more than 280 metres can berth alongside the wharf during topside modules installation and integration, which reduces the time and costs associated with transporting huge steel structures and modules to a nearest shipyard.
- Fabrication area upgraded to withstand heavier load and also integrated infrastructure facilities for convenient access to gas, water and electrical supplies. Also equipped with mobile covered workshops to ensure that project schedules are not adversely affected by inclement weather.

Strong and Global Customer Base

- Customers include some of the world's largest owners and operators of FPSOs/FSOs and semi-submersibles as well as multinational engineering companies in the marine and oil and gas industries.
- Established or are establishing framework agreements with some of these customers, which increase our chances of securing projects with these customers in future.



PROSPECTS



Thunderhawk FPSO-5500
(Semi-Submersible FPSO Hull)



FPSO Stybarrow
(Gas Treatment & Compressor Module)



FPSO Esprito Santo
(Sea Water Treatment Module)

Recovery in Demand for Oil & Gas

- The International Energy Agency forecasted that the global oil demand is expected to further rise to 89.1 million barrels a day (“mbpd”) in 2011 from 87.7 mbpd in 2010⁽¹⁾.
- The Organisation of Petroleum Exporting Countries estimated that the world oil demand is expected to grow by 1.4 mbpd in 2011 due to higher level of industrial activities in the US and the PRC⁽²⁾.
- Increased level of offshore oil and gas production activities is likely to boost demand for offshore structures such as FPSOs, FSOs and semi-submersibles.

Increase in Demand for Floating Production Systems

- Global oil and gas demand is expected to continue to increase in the long term, fuelled by increased energy consumption of emerging economies such as the PRC and India.
- Trend towards exploration into deeper waters offshore will continue given that the reserves in existing oil fields are depleting.
- Orders for between 120 units and 185 units of FPSOs/FSOs are expected over the next five years, and expected to generate capital expenditures of between US\$59.2 billion and US\$85.5 billion⁽³⁾.
- As Singapore is the leader in the global market for conversion of FPSOs and FSOs, the continued investments by oil companies, and owners and operators of such vessels will lead to an increase in the number and value of contracts for topside modules in Singapore.



Footnotes:

1. Based on the “Oil Market Report” dated 18 January 2011 published by the International Energy Agency
2. Based on the “Monthly Oil Market Report, February 2011” published by the Organisation of Petroleum Exporting Countries
3. Based on the “Floating Production Systems March 2010 Report” published by the International Maritime Associates, Inc.

BUSINESS STRATEGIES AND FUTURE PLANS

Upgrading and Expansion of Yard Facility at 13 Pandan Crescent

- Leveling and concreting the fabrication area to withstand heavier load, integrating infrastructure facilities into the concreted fabrication area to grant convenient access to gas, water and electrical supplies, as well as upgrading the jetty facilities to enhance the yard facility's load-out capabilities.
- To construct a general workshop and a specialised pipe fabrication workshop to be equipped with a semi-automated production system.

Upgrading and Expansion of Yard Facility at Our Main Yard

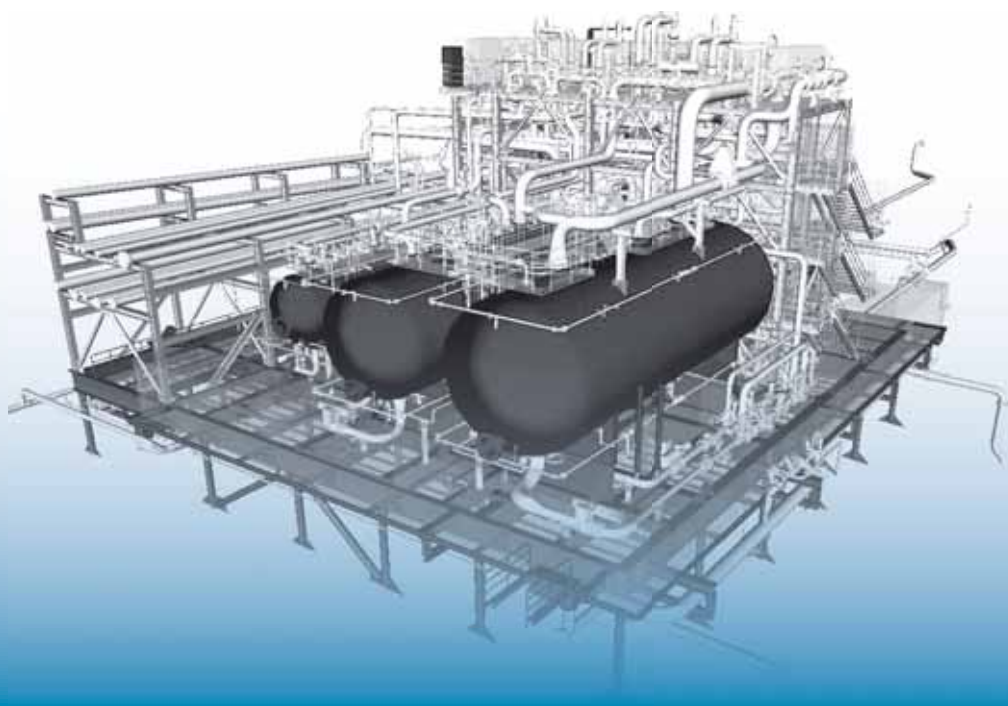
- Construct a four-storey office building, a car park and a canteen on our Main Yard to provide additional facilities for our customers' representatives and our staff.
- Upgrade our Main Yard by levelling and concreting the fabrication area, and integrating infrastructure facilities into the concreted fabrication area.

Acquisition of Additional Equipment and Machineries

- To acquire two sets of CNC cutting machines, five sets of gantry cranes, one mobile crane and one multi-axle trailer to upgrade our capabilities in our engineering and construction services and ensure that we stay abreast of technological advances in our industry.

Expansion of Operations Overseas to Countries Such as the PRC and Brazil

- Entered into a memorandum of understanding as joint venture partner with Guangzhou Dockyards Co., Ltd in June 2010.
- Entered into a collaboration agreement with KSL in July 2010.
- Incorporated DM Brazil in October 2010.



Jack Up Barge N1 Drilling Unit



Orbital Welding



FPSO Sanha LPG (Flare Tower)

FINANCIAL HIGHLIGHTS

(Year Ended 31 May)

Revenue & Net Profit (S\$'million)

	FY2008	FY2009	FY2010	HY2011
Total Revenue	210.9	120.9	218.5	83.7
Module Business	108.1	107.7	214.1	83.7
Ad Hoc Projects (Hull of FPU)	88.1 ⁽¹⁾	3.8 ⁽²⁾	–	–
Ad Hoc Projects (Other Services)	14.8	9.4	4.5 ⁽³⁾	– ⁽⁴⁾
Net Profit	21.7	8.1	25.5	10.1

Gross Profit (S\$'million)

	FY2008	FY2009	FY2010	HY2011
Module Business	25.2	22.7	48.2	20.7
Ad Hoc Projects (Hull of FPU)	10.5	2.4	–	–
Ad Hoc Projects (Other Services)	5.5	2.9	2.6	– ⁽⁴⁾
Total	41.3	28.0	50.8	20.7

Gross Profit Margin (%)

	FY2008	FY2009	FY2010	HY2011
Module Business	23.4	21.1	22.5	24.8
Ad Hoc Projects (Hull of FPU)	11.9	64.1	–	–
Ad Hoc Projects (Other Services)	37.5	30.4	57.2	38.1
Average	19.6	23.1	23.2	24.8

Footnotes:

1. Relatively higher due to one-off project to construct the hull of a semi-submersible (Thunderhawk FPU-5500), which was substantially completed in FY2008
2. Revenue refers mainly to post load-out support service
3. Did not undertake new projects as capacity was diverted to support the Module Business, which was operating at near full capacity
4. Less than 0.1%



FPSO Cascade/Chinook Fields
(Power Generation Module)



BP Angola FPSO PSVM
(Water Treatment Module)



FPSO Jubilee
(Gas Injection Compressor)

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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Lim Tze Jong (<i>Executive Chairman and CEO</i>) Varghese John (<i>Executive Director and COO</i>) Lim Tjew Yok (<i>Executive Director and Vice President (Operations)</i>) Yeo Chien Sheng, Nelson (<i>Non-Executive Director</i>) Tan Soo Kiat (<i>Lead Independent Director</i>) Dr Ong Seh Hong (<i>Independent Director</i>)
JOINT COMPANY SECRETARIES	:	Liew Meng Ling, ACIS Juliana Lee Kim Lian, LLB (Hon)
REGISTERED OFFICE	:	59 Gul Road Singapore 629354
PRINCIPAL PLACE OF BUSINESS AND CONTACT DETAILS	:	45 Gul Road Singapore 629350
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	M & C Services Private Limited 138 Robinson Road #17-00 The Corporate Office Singapore 068906
ISSUE MANAGER	:	Collins Stewart Pte. Limited 77 Robinson Road #21-02 Robinson 77 Singapore 068896
JOINT UNDERWRITERS AND JOINT PLACEMENT AGENTS	:	Collins Stewart Pte. Limited 77 Robinson Road #21-02 Robinson 77 Singapore 068896 UOB Kay Hian Private Limited 8 Anthony Road #01-01 Singapore 229957
AUDITORS AND REPORTING ACCOUNTANTS	:	Nexia TS Public Accounting Corporation 5 Shenton Way #16-00 UIC Building Singapore 068808 Director in-charge: Kristin YS Kim, CPA
SOLICITORS TO THE INVITATION AND LEGAL ADVISERS TO OUR COMPANY ON SINGAPORE LAW	:	KhattarWong 80 Raffles Place #25-01 UOB Plaza 1 Singapore 048624
LEGAL ADVISERS TO OUR COMPANY ON MALAYSIAN LAW	:	The Law Office of K K Chong & Company Suite 1213, 12 th Floor Plaza Permata No. 6, Jalan Kampar 50400 Kuala Lumpur Malaysia

CORPORATE INFORMATION

LEGAL ADVISERS TO OUR COMPANY ON HONG KONG LAW : **Alan Lam, Yam & Pe**
Room 1503A, 15th Floor
Bank of East Asia Harbour View Centre
Wanchai
Hong Kong

LEGAL ADVISERS TO OUR COMPANY ON BRAZILIAN LAW : **Villemor Amaral Advogados**
Rua da Glória, 290, 15 andar
Rio de Janeiro RJ 20241-180
Brazil

SOLICITORS TO THE ISSUE MANAGER, JOINT UNDERWRITERS AND JOINT PLACEMENT AGENTS : **TSMP Law Corporation**
6 Battery Road
#33-01
Singapore 049909

PRINCIPAL BANKER : **Standard Chartered Bank**
6 Battery Road,
Singapore 049909

RECEIVING BANK : **Standard Chartered Bank**
6 Battery Road,
Singapore 049909

VENDOR : Lim Tze Jong

DEFINITIONS

In this Prospectus and the accompanying Application Forms and in relation to Electronic Applications, the instructions appearing on the screens of the ATMs of the Participating Banks and on the IB websites of the relevant Participating Banks, the following definitions apply throughout where the context so admits:-

Companies within our Group

“Company”	:	Dyna-Mac Holdings Ltd.
“Group”	:	Our Company and our subsidiaries as at the date of this Prospectus
“DM Brazil”	:	Dyna-Mac do Brasil Construções Ltda.
“DM Corrosion”	:	Dyna-Mac Corrosion Technology Pte. Ltd. (formerly known as “Prominent Corrosion Technology Pte. Ltd.”)
“DM Engineering Malaysia”	:	Dyna-Mac Engineering Services Sdn. Bhd.
“DM Engineering Singapore”	:	Dyna-Mac Engineering Services Pte Ltd
“DM Fabricator”	:	Dyna-Mac Fabricator Pte. Ltd. (formerly known as “Dyna-Mac Fabricators Pte. Ltd.”)
“DM Marine”	:	Dyna-Mac Marine and Heavy Engineering Pte. Ltd.
“DM Engineering Hong Kong”	:	Dyna-mac Engineering (HK) Pte Limited (formerly known as “DMP Engineering (HK) Pte Limited”)
“DMP Engineering Singapore”	:	DMP Engineering Pte. Ltd.
“DM Offshore”	:	Dyna-Mac Offshore Services Pte. Ltd. (formerly known as “Dyna-Mac Offshore Service Pte Ltd”)

Other Corporations and Organisations

“Authority” or “MAS”	:	The Monetary Authority of Singapore
“CDP” or “Depository”	:	The Central Depository (Pte) Limited
“CPF”	:	The Central Provident Fund
“Eminent Offshore”	:	Eminent Offshore & Heavy Engineering Sdn. Bhd.
“FIC”	:	Foreign Investment Committee, Economic Planning Unit, Prime Minister’s Department, Malaysia
“ISO”	:	International Organization for Standardization, a world-wide federation of national standards bodies
“Issue Manager”	:	Collins Stewart Pte. Limited
“Joint Placement Agents”	:	Collins Stewart Pte. Limited and UOB Kay Hian Private Limited
“Joint Underwriters”	:	Collins Stewart Pte. Limited and UOB Kay Hian Private Limited
“JTC”	:	JTC Corporation
“KCL”	:	Keppel Corporation Limited

DEFINITIONS

“KOM”	:	Keppel Offshore & Marine Ltd
“KSL”	:	Keppel Shipyard Limited
“Modec”	:	MODEC Offshore Production Systems (Singapore) Pte Ltd
“MOM”	:	Ministry of Manpower
“Participating Banks”	:	DBS Bank Ltd (including POSB) (“DBS Bank”), Oversea-Chinese Banking Corporation Limited (“OCBC Bank”), United Overseas Bank Limited (“UOB”) and its subsidiary Far Eastern Bank Limited (“UOB Group”)
“SBM”	:	Single Buoy Moorings, Inc.
“SCCS”	:	Securities Clearing and Computer Services (Pte) Ltd
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

General

“Act” or “Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“Ad Hoc Projects”	:	Ad hoc engineering and fabrication services for specialised structures for semi-submersibles and sub-sea products such as manifolds and buoys. It also includes fabrication of heavy steel or mechanical structures (including material handling equipment), process piping and tanks for various types of petrochemical and pharmaceutical plants and any other modular construction (other than topside modules for FPSO and FSO)
“Application Forms”	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
“Application List”	:	The list of applications for subscription or purchase, as the case may be, of the Invitation Shares
“Articles”	:	The articles of association of our Company
“Associate”	:	(a) In relation to an entity, means:- (i) in a case where the entity is a substantial shareholder, controlling shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, associated company or associated entity; or (ii) in any other case, (A) a director or an equivalent person, (B) where the entity is a corporation, a controlling shareholder of the entity, (C) where the entity is not a corporation, a controlling interest-holder of the entity, (D) a subsidiary, a subsidiary entity, an associated company, or an associated entity, or (E) a subsidiary, a subsidiary entity, an associated company, or an associated entity, of the controlling shareholder or controlling interest-holder, as the case may be, of the entity; and

DEFINITIONS

(b) in relation to an individual, means:-

- (i) his immediate family;
- (ii) a trustee of any trust of which the individual or any member of the individual's immediate family is a beneficiary or, where the trust is a discretionary trust, a discretionary object, when the trustee acts in that capacity; or
- (iii) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30% of the total votes attached to all voting shares.

The terms "associated company", "associated entity", "controlling interest-holder", "related corporation", "related entity", "subsidiary", "subsidiary entity" and "substantial interest-holder" have the same meanings ascribed to them respectively in the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005

"ATM"	:	Automated teller machine
"Audit Committee"	:	The audit committee of our Company as at the date of this Prospectus, unless otherwise stated
"Awards"	:	The contingent award of Shares made under the DMSAS
"Award Shares"	:	The Shares which may be allotted and issued from time to time pursuant to the vesting of the Awards under DMSAS
"Board" or "Board of Directors"	:	The board of Directors of our Company as at the date of this Prospectus, unless otherwise stated
"CEO"	:	Chief Executive Officer
"CFO"	:	Chief Financial Officer
"Committee"	:	In reference to the DMSAS and DMSOS, refers to the Remuneration Committee of our Company
"Commitment Letters"	:	A commitment letter signed by our Company, the Vendor and KSL dated 22 June 2010 (as amended by a further letter dated 14 July 2010)
"Controlling Shareholder"	:	A person who holds directly or indirectly 15% or more of the nominal amount of all the voting shares in our Company (unless determined otherwise by the SGX-ST, or in fact exercises control over our Company)
"COO"	:	Chief Operating Officer
"Directors"	:	The directors of our Company as at the date of this Prospectus, unless otherwise stated
"DMSAS"	:	The Dyna-Mac Share Award Scheme

DEFINITIONS

“DMSAS Associated Company”	:	A company in which at least 20% but not more than 50% of its shares are held by our Company and/or our subsidiaries, or a subsidiary of such company, and over whose management our Company has control over
“DMSOS”	:	The Dyna-Mac Share Option Scheme
“DMSOS Associated Company”	:	A company in which at least 20% but not more than 50% of its shares are held by our Company and/or our subsidiaries, or a subsidiary of such company, and over whose management our Company has control over
“Electronic Applications”	:	Applications for the Offer Shares made through an ATM or through the IB website of one of the relevant Participating Banks, subject to and on the terms and conditions of this Prospectus
“EPS”	:	Earnings per Share
“Executive Directors”	:	The executive Directors of our Company as at the date of this Prospectus, unless otherwise stated
“Executive Officers”	:	Unless otherwise stated, the executive officers of our Group as at the date of this Prospectus, including our key executives who make or participate in making decisions that affect the whole or a substantial part of our business or have the capacity to make decisions which affect significantly our financial standing
“FY”	:	Financial year ended or ending 31 May, as the case may be
“Group Employee”	:	A full-time employee of our Company, our subsidiaries, DMSAS Associated Companies and/or DMSOS Associated Companies (including any Group Executive Director)
“Group Executive Director”	:	A director of any of our Company, our subsidiaries, DMSAS Associated Companies and/or DMSOS Associated Companies, as the case may be, who performs an executive function
“Group NED”	:	A director of any of our Company, our subsidiaries, our DMSAS Associated Companies and/or DMSOS Associated Companies (including an independent director), as the case may be, other than a Group Executive Director
“GST”	:	Goods and Services Tax
“HY”	:	Half year ended or ending 30 November, as the case may be
“IB”	:	Internet banking
“Independent Directors”	:	The independent Directors of our Company as at the date of this Prospectus, unless otherwise stated
“Invitation”	:	The invitation by our Company and the Vendor to the public in Singapore to subscribe for and/or purchase the Invitation Shares at the Invitation Price, upon the terms and subject to the conditions set out in this Prospectus
“Invitation Price”	:	\$0.35 for each Invitation Share

DEFINITIONS

“Invitation Shares”	:	The 436,000,000 Shares, comprising 186,000,000 New Shares and 250,000,000 Vendor Shares, which are the subject of the Invitation
“Latest Practicable Date”	:	27 January 2011, being the latest practicable date prior to the date of lodgement of this Prospectus with the Authority
“Listing Manual”	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
“Main Yard”	:	Our main yard facilities located at our leasehold properties at 31, 33, 45 and 59 Gul Road
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Memorandum”	:	The memorandum of association of our Company
“Module Business”	:	Fabrication and assembly of topside modules for FPSO and FSO
“NED”	:	Non-executive Director of our Company
“New Shares”	:	The 186,000,000 new Shares for which our Company invites applications to subscribe for at the Invitation Price pursuant to the Invitation, upon the terms and subject to the conditions set out in this Prospectus (and in the event the Over-allotment Option is exercised, shall include the Over-allotment Shares, where applicable and where the context so requires)
“Nominating Committee”	:	The nominating committee of our Company as at the date of this Prospectus, unless otherwise stated
“NTA”	:	Net tangible assets
“NAV”	:	Net asset value
“Offer”	:	The invitation by our Company and the Vendor to the public in Singapore for subscription and/or purchase of the Offer Shares at the Invitation Price, upon the terms and subject to the conditions set out in this Prospectus
“Offer Shares”	:	The 5,000,000 Invitation Shares which are the subject of the Offer
“Options”	:	The Options which may be granted pursuant to the DMSOS
“Option Shares”	:	The new Shares which may be allotted and issued upon the exercise of Options
“Over-allotment Option”	:	The over-allotment option granted by our Company to the Joint Underwriters, exercisable in whole or in part prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 30,000,000 Shares representing approximately 6.88% of the Invitation Shares to undertake stabilising actions solely for the purpose of covering over-allotments (if any) of the Invitation Shares. Unless we indicate otherwise, all information in this Prospectus assumes that the Over-allotment Option is not exercised

DEFINITIONS

“Over-allotment Shares”	:	Up to an aggregate of 30,000,000 new Shares to be issued in the event of the exercise of the Over-allotment Option
“PAT”	:	Profit after income tax
“PBT”	:	Profit before income tax
“Performance Target”	:	The performance targets prescribed by the Committee to be fulfilled by a Selected Person for any particular period under the DMSAS
“Periods Under Review”	:	The periods which comprise FY2008, FY2009, FY2010 and HY2011
“PER”	:	Price earnings ratio
“Placement”	:	The placement of the Placement Shares by the Joint Placement Agents on behalf of our Company and the Vendor for subscription and/or purchase at the Invitation Price, upon the terms and subject to the conditions set out in this Prospectus
“Placement Shares”	:	The 431,000,000 Invitation Shares which are the subject of the Placement
“PRC”	:	The People’s Republic of China
“Prospectus”	:	This prospectus dated 21 February 2011
“Remuneration Committee”	:	The remuneration committee of our Company as at the date of this Prospectus, unless otherwise stated
“Restructuring Exercise”	:	The restructuring exercise undertaken by our Group prior to the Invitation, as described in the section entitled “Restructuring Exercise” of this Prospectus
“R&D”	:	Research and development
“Securities Account”	:	The securities account maintained by a Depositor with CDP or a securities sub-account
“Selected Person”	:	A person who is selected by the Committee to participate in the DMSAS or the DMSOS, as the case may be, in accordance with the provisions of the DMSAS or the DMSOS, as the case may be
“Service Agreement”	:	The service agreement entered between Lim Tze Jong, our Executive Chairman and CEO, and our Company as described in the section entitled “Service Agreement” of this Prospectus
“SFA” or “Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
“Shareholder”	:	Registered holders of our Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with our Shares
“Shares”	:	Ordinary shares in the capital of our Company

DEFINITIONS

“Share Lending Agreement”	:	The Share Lending Agreement, details of which are set out under the section entitled “Share Lending Agreement” of this Prospectus
“Substantial Shareholder”	:	A person who has an interest or interests in Shares, the nominal amount of which is not less than 5% of the aggregate of the nominal amount of all the voting shares of our Company
“USA”	:	United States of America
“Vendor”	:	Lim Tze Jong
“Vendor Shares”	:	The 250,000,000 existing Shares for which the Vendor invites applications to purchase at the Invitation Price, upon the terms and subject to the conditions of this Prospectus

Currencies, Units and Others

“m”	:	Metre
“p.a.”	:	Per annum
“sq m”	:	Square metre
“HK\$”	:	Hong Kong Dollars
“RM”	:	Malaysian Ringgit
“R\$”	:	Brazilian Real
“Singapore Dollars” or “\$” and “cents”	:	Singapore dollars and cents, respectively
“US\$”	:	United States dollar
“£”	:	British Pounds
“%” or “per cent”	:	Per centum or percentage

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The expressions “associated company”, “associated entity”, “related corporation”, “related entity”, “entity at risk”, “interested person”, “subsidiary”, and “subsidiary entity” shall have the meanings ascribed to them respectively in the Fourth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

The expression “entity” includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust.

Any discrepancies between the amounts listed and their totals in tables included herein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

DEFINITIONS

Any reference in this Prospectus, the Application Forms and/or the Electronic Applications to any statute or enactment is a reference to that statute or enactment as for the time being amended, modified, supplemented or re-enacted. Any word defined under the Act, the SFA or any statutory modification thereof and used in this Prospectus, the Application Forms and/or the Electronic Applications shall, where applicable or the context so requires, have the meaning ascribed to it under the Act, the SFA or any statutory modification thereof, as the case may be.

Any reference in this Prospectus, the Application Forms and/or the Electronic Applications to Shares being allotted or allocated to an applicant includes allotment or allocation to CDP for the account of that applicant.

Any reference to a time of day and date in this Prospectus, the Application Forms and/or the Electronic Applications shall be a reference to Singapore time and date respectively, unless otherwise stated.

Any reference to “we”, “us”, “our”, “ourselves” or their other grammatical variations in this Prospectus is a reference to our Company, our Group or any member of our Group, as the context requires.

In addition, unless we indicate otherwise, all information in this Prospectus assumes that the Joint Underwriters does not exercise the Over-allotment Option, and does not take into account any changes in shareholding that may arise as a result of any Shares lent or re-delivered pursuant to the Share Lending Agreement described in the section entitled “Share Lending Agreement” of this Prospectus.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides an explanation of certain terms and abbreviations used in this Prospectus. The terms and abbreviations and their assigned meanings should not be treated as being definitive of their meanings, and may not correspond to standard industry meanings or common meanings or usage, as the case may be, of these terms and abbreviations.

“FPSO”	:	A floating, production, storage and offloading vessel used by offshore oil and gas industry for the production, storage and offloading of oil and gas from offshore oil and gas fields
“FSO”	:	A floating, storage and offloading vessel used by offshore oil and gas industry for the storage and offloading of oil and gas from offshore oil and gas fields
“FPU”	:	A floating production unit
“manifold”	:	An accessory system of piping to a main piping system (or another conductor) that serves to divide a flow into several parts, to combine several flows into one, or to re-route a flow to any one of several possible destinations
“semi-submersibles”	:	A purpose built floating production platform supported by pontoons and columns. The design is commonly used in a number of specific offshore roles such as for offshore drilling rigs, safety vessels, oil production platforms and heavy lift cranes
“topside module”	:	Specialised process and control equipment such as separators, heat exchangers, coolers, pumps, electrical equipment, process piping, control valves and control panels fitted or integrated on steel structural frames to be installed on FPSOs, FSOs or semi-submersibles to carry out specific functions

SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the lodgement and registration of this Prospectus in Singapore in order to permit a public offering of our Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the Invitation Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by us, the Vendor, the Issue Manager, the Joint Underwriters and the Joint Placement Agents to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Vendor, the Issue Manager, the Joint Underwriters and Joint Placement Agents.

Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us, our Directors, Executive Officers or employees acting on our behalf or the Vendor's behalf, that are not statements of historical fact, constitute "forward-looking statements". You can identify some of these statements by forward-looking terms such as "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "will" and "would" or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to:-

- (a) our revenue and profitability;
- (b) expected growth in demand;
- (c) expected industry trends;
- (d) anticipated expansion plans;
- (e) anticipated commencement and completion date for projects; and
- (f) other matters discussed in this Prospectus regarding matters that are not historical facts,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:-

- (i) changes in political, social and economic conditions and the regulatory environment in Singapore and other countries in which we conduct business;
- (ii) changes in currency exchange rates;
- (iii) our anticipated growth strategies and expected internal growth;
- (iv) changes in the availability and prices of materials we need for our business;
- (v) changes in customer demand;
- (vi) changes in competitive conditions and our ability to compete under these conditions;
- (vii) changes in our future capital needs and the availability of financing and capital to fund these needs; and
- (viii) other factors beyond our control.

These factors are discussed in greater detail in this Prospectus, in particular, but not limited to the discussions under the sections entitled "Risk Factors" and "Management Discussion and Analysis of the Results of Operations and Financial Condition" of this Prospectus. All forward-looking statements by or attributable to us, our Directors, our Executive Officers or our employees acting on our behalf, or on the Vendor's behalf, or persons acting on our behalf, contained in this Prospectus are expressly qualified in their entirety by such factors. These forward-looking statements are applicable only as of the date of this Prospectus.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. Neither any of our Company, the Vendor, the Issue Manager, the Joint Underwriters, the Joint Placement Agents nor any other person represents or warrants to you that our actual future results, performance or achievements will be as discussed in those statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Vendor, the Issue Manager, the Joint Underwriters and the Joint Placement Agents disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect further developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. We are, however, subject to the provisions of the SFA and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, we may lodge a supplementary or replacement Prospectus if, after this Prospectus is registered but prior to the close of the Invitation, we become aware of:-

- (a) a false or misleading statement or matter in this Prospectus;
- (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the SFA; or
- (c) a new circumstance which has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the SFA to be included in this Prospectus, if it had arisen before this Prospectus was lodged and which is materially adverse from the point of view of an investor.

We are also subject to the provisions of the Listing Manual regarding corporate disclosure upon our admission to the Official List of the SGX-ST.

DETAILS OF THE INVITATION

LISTING ON THE SGX-ST

Our Company has made an application to the SGX-ST for permission to deal in and for quotation of all our Shares already issued (including the Vendor Shares) as well as the New Shares and the Over-allotment Shares. Such permission will be granted when our Company is admitted to the Official List of the SGX-ST. No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

Acceptance of applications will be conditional upon, *inter alia*, the issue of the New Shares and permission being granted to deal in, and for quotation of, all our existing Shares (including the Vendor Shares) as well as the New Shares and the Over-allotment Shares on the Official List of the SGX-ST. If such permission is not granted for any reason, monies paid in respect of any application accepted will be returned to the applicant at the applicant's own risk, without interest or any share of revenue or other benefit arising therefrom, and the applicant will not have any claim whatsoever against our Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

In connection with the Invitation, our Company has granted to the Joint Underwriters an Over-allotment Option exercisable by the Joint Underwriters in whole or in part prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 30,000,000 Shares representing approximately 6.88% of the Invitation Shares to undertake stabilising actions solely for the purpose of covering over-allotments (if any) of the Invitation Shares made in connection with the Invitation. The Joint Underwriters may, in their discretion but subject to compliance with applicable laws and regulations in Singapore, over-allot or effect transactions which stabilise or maintain the market price of our Shares. Such stabilisation activities, if commenced, may be discontinued by the Joint Underwriters at any time in their discretion in accordance with the laws of Singapore and shall not be effected after the expiry of the aforesaid period.

The SGX-ST assumes no responsibility for the correctness of any statements made, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares already issued (including the Vendor Shares), the New Shares or the Over-allotment Shares (if the Over-allotment Option is exercised).

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the SFA, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares already issued (including the Vendor Shares), the New Shares or the Over-allotment Shares (if the Over-allotment Option is exercised), as the case may be, being offered or in respect of which an invitation is made, for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

We are subject to the provisions of the SFA and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Prospectus is registered but before the close of the Invitation we become aware of:-

- (a) a false or misleading statement or matter in this Prospectus;
- (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the SFA; or
- (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the SFA to be included in this Prospectus, if it had arisen before this Prospectus was lodged,

and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

DETAILS OF THE INVITATION

In the event that a supplementary or replacement prospectus is lodged with the Authority, our Invitation shall be kept open for at least 14 days after the lodgement of such supplementary or replacement prospectus.

Where prior to the lodgement of the supplementary or replacement prospectus, applications have been made under this Prospectus to subscribe for and/or purchase the Invitation Shares, and:-

- (a) where the Invitation Shares have not been issued and/or transferred to the applicants, our Company (as well as on behalf of the Vendor) shall either:-
 - (i) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; and take all reasonable steps to make available within a reasonable period the supplementary prospectus or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus;
 - (ii) within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; or
 - (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled; and we shall (as well as on behalf of the Vendor) within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against our Company, the Vendor, the Issue Manager, the Joint Underwriters or Joint Placement Agents; or
- (b) where the Invitation Shares have been issued and/or transferred to the applicants, we (as well as on behalf of the Vendor) shall either:-
 - (i) (aa) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to return, to our Company, those Invitation Shares which they do not wish to retain title in; and
 - (bb) take all reasonable steps to make available within a reasonable period the supplementary prospectus or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus;
 - (ii) within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to return to our Company the Invitation Shares which they do not wish to retain title in; or

DETAILS OF THE INVITATION

- (iii) treat the issue and/or transfer of the Invitation Shares as void, in which case the issue and/or transfer shall be deemed void, and our Company (as well as on behalf of the Vendor) shall:-
- (aa) within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against our Company, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents; or
- (bb) (A) if documents purporting to evidence title to the Invitation Shares (“**title documents**”) have been issued to the applicants, within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, inform the applicants to return the title documents to us within 14 days from the date of lodgement of the supplementary prospectus or replacement prospectus, and within seven days from the date of receipt of the title documents or the date of lodgement of the supplementary prospectus or replacement prospectus, whichever is the later, pay to the applicants all monies paid by them for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against our Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents; or
- (B) if no title documents have been issued to the applicants, within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, pay to the applicants all monies paid by them for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against our Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

An applicant who wishes to exercise his option under paragraph (a)(i) or (ii) above to withdraw his application shall, within 14 days from the date of lodgement of the supplementary prospectus or replacement prospectus, notify our Company of this, whereupon our Company shall (as well as on behalf of the Vendor), within seven days from the receipt of such notification, pay to the applicant all monies paid by the applicant on account of his application for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against the Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

An applicant who wishes to exercise his option under paragraph (b)(i) or (ii) above to return the Invitation Shares transferred to him shall, within 14 days from the date of lodgement of the supplementary prospectus or replacement prospectus, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Shares to our Company, whereupon our Company shall (as well as on behalf of the Vendor), within seven days from the receipt of such notification and documents, if any, pay to the applicant all monies paid by the applicant for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against the Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents, and the issue and/or transfer of those Invitation Shares shall be deemed to be void.

Under the SFA, the Authority may, in certain circumstances issue a stop order to our Company, directing that no or no further Shares to which this Prospectus relates, be allotted, issued or sold. Such circumstances will include a situation where this Prospectus (i) contains any statement or matter, which in the opinion of the Authority is false or misleading, (ii) omits any information that should be included in accordance with the SFA or (iii) does not, in the opinion of the Authority, comply with the requirements of the SFA.

DETAILS OF THE INVITATION

Where the Authority issues a stop order pursuant to Section 242 of the SFA, and:-

- (a) in the case where the Invitation Shares have not been issued and/or transferred to the applicants, the applicants' applications for the Invitation Shares shall be deemed to have been withdrawn and cancelled and our Company shall (as well as on behalf of the Vendor), within 14 days from the date of the stop order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against the Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents; or
- (b) in the case where the Invitation Shares have been issued and/or transferred, the issue and/or transfer of the Invitation Shares is required by the SFA to be deemed to be void and our Company (as well as on behalf of the Vendor) shall:-
 - (i) if no documents purporting to evidence title to those Invitation Shares have been issued to the applicants, within seven days from the date of the stop order, pay to the applicants all monies paid by them for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against our Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents; or
 - (ii) if documents purporting to evidence title to those Invitation Shares have been issued to the applicants, within seven days from the date of the stop order, inform the applicants to return such documents to us within 14 days from that date and within seven days from the date of receipt of such documents or the date of the stop order, whichever is the later, pay to the applicants all monies paid by them for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim whatsoever against our Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

This Prospectus has been seen and approved by our Directors and the Vendor and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the facts stated and opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus, (ii) there are no material facts the omission of which would make any statement in this Prospectus misleading, and (iii) that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Group, the Vendor and the Invitation Shares.

Neither our Company, the Vendor, the Issue Manager, the Joint Underwriters, the Joint Placement Agents nor any parties involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or any other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own legal, financial, tax or other professional adviser for advice regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by our Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents. Neither the delivery of this Prospectus and the Application Forms nor any document relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our subsidiaries or in any statement of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur and are

DETAILS OF THE INVITATION

material or required to be disclosed by law, we will comply with the relevant provisions of the SFA and make an announcement of the same to the SGX-ST and, if required, lodge a supplementary or replacement prospectus pursuant to the SFA. All applicants should take note of any such announcement, or supplementary or replacement prospectus and, upon the release of such an announcement, or supplementary or replacement prospectus, shall be deemed to have notice of such changes.

Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our subsidiaries. This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such an offer, solicitation or invitation.

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, during office hours from:-

Collins Stewart Pte. Limited

77 Robinson Road
#21-02 Robinson 77
Singapore 068896

UOB Kay Hian Private Limited

8 Anthony Road
#01-01
Singapore 229957

and where available, from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore.

A copy of this Prospectus is also available on:-

- (a) the SGX-ST website at <http://www.sgx.com>; and
- (b) the Authority's website at <http://masnet.mas.gov.sg>.

The Application List will open at 10.00 am on 28 February 2011 and will remain open until 12.00 noon on the same day or for such further period or periods as our Directors and the Vendor may, in consultation with the Issue Manager, the Joint Underwriters and the Joint Placement Agents, in their absolute discretion, decide, subject to any limitation under all applicable laws PROVIDED ALWAYS THAT where a supplementary or replacement prospectus has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgement of the supplementary or replacement prospectus.

Details of the procedures for applications to subscribe for and/or purchase the Invitation Shares are set out in Appendix I of this Prospectus.

DETAILS OF THE INVITATION

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for the reference of applicants:-

Indicative Time and Date	Event
12.00 noon on 28 February 2011	Close of Application List
1 March 2011	Balloting of applications, if necessary (in the event of over-subscription for and/or purchase of the Offer Shares)
9.00 am on 2 March 2011	Commence trading on a “ready” basis
7 March 2011	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List is 28 February 2011, the date of admission of our Company to the Official List of the SGX-ST is 2 March 2011, the SGX-ST’s shareholding spread requirement will be complied with and the Invitation Shares will be issued and allotted or allocated (as the case may be) and fully paid-up prior to 2 March 2011. The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a “ready” basis and the commencement date of such trading.

Investors should consult the SGX-ST’s announcement on the “ready” trading date on the Internet (at the SGX-ST’s website <http://www.sgx.com>) or the newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:-

- (a) through a SGXNET announcement to be posted on the internet at the SGX-ST’s website at <http://www.sgx.com>; and
- (b) through a paid advertisement in a local English newspapers.

We will publicly announce details of the results of the Invitation as soon as it is practicable after the closure of the Application List through the channels described in (a) and (b) above.

PROSPECTUS SUMMARY

The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus. As it is a summary, it does not contain all the information that you should consider before investing in our Shares. You should read the entire Prospectus carefully, especially the matters set out under the section entitled “Risk Factors”, before deciding to invest in our Shares.

OVERVIEW OF OUR GROUP

Our Company was incorporated in Singapore on 19 June 2003 under the Act as a private company limited by shares, under the name of “Dyna-Mac Holdings Pte. Ltd.”. Our Company was converted into a public limited company and the name of our Company was changed to “Dyna-Mac Holdings Ltd.” in connection therewith on 10 February 2011.

OUR BUSINESS

We are a multi-disciplinary specialist provider of detailed engineering, procurement and construction services to the offshore oil and gas, marine construction and other industries. Currently, our Group’s core specialist engineering services in Singapore are:-

- (i) Module Business which involves detailed engineering, procurement and construction of topside modules for FPSO and FSO; and
- (ii) Ad Hoc Projects which includes detailed engineering and fabrication services for specialised structures for semi-submersibles and sub-sea products such as manifolds and buoys. It also includes fabrication of heavy steel or mechanical structures (including material handling equipment), process piping and tanks for various types of petrochemical and pharmaceutical plants and any other modular construction (other than topside modules for FPSO and FSO).

Further details are set out under the section entitled “Business Overview” of this Prospectus.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our key competitive strengths are as follows:-

- (i) we have an experienced and dedicated management team;
- (ii) we have an established track record;
- (iii) we have a strong engineering and project management team;
- (iv) we have large and integrated modern sea front yard facilities; and
- (v) we have a strong and global customer base.

Further details are set out under the section entitled “Competitive Strengths” of this Prospectus.

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans include, *inter alia*, the following:-

- (i) upgrading and expansion of yard facility at 13 Pandan Crescent;
- (ii) upgrading and expansion of yard facility at our Main Yard;
- (iii) acquisition of additional equipment and machineries; and
- (iv) expansion of operations overseas to countries such as Brazil and the PRC.

Further details are set out under the section entitled “Business Strategies and Future Plans” of this Prospectus.

PROSPECTUS SUMMARY

OUR OWNERSHIP STRUCTURE

After the Invitation, Lim Tze Jong and KSL (or its nominee) will own approximately 51.6% and 27.8% of our Company's post-Invitation share capital, respectively.

Further details are set out under the section entitled "Shareholders" of this Prospectus.

WHERE YOU CAN FIND US

Our registered office is located at 59 Gul Road Singapore 629354 and our principal place of business is located at 45 Gul Road Singapore 629350. Our telephone number is (65) 6762 5816. Our facsimile number is (65) 6762 3465. Our website is www.dyna-mac.com. **Information on our website does not constitute part of this Prospectus.**

SUMMARY OF OUR FINANCIAL INFORMATION

You should read the following summary financial information in conjunction with the full text of this Prospectus, including the "Independent Auditors' Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010" and the "Independent Auditors' Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010" as set out in Appendices A and B respectively, and the section entitled "Management Discussion and Analysis of the Results of Operations and Financial Condition" of this Prospectus.

Selected items from the Consolidated Statement of Comprehensive Income of our Group⁽¹⁾

(\$'000)	← Audited Consolidated →			← Unaudited Consolidated →	
	FY2008	FY2009	FY2010	HY2010	HY2011
Revenue	210,909	120,857	218,541	124,585	83,686
Gross profit	41,290	27,956	50,783	23,200	20,732
Profit before income tax	26,418	10,887	32,108	16,001	12,117
Net profit	21,679	8,081	25,451	13,098	10,061
Profit attributable to:					
Equity holders of the Company	21,679	8,083	25,452	13,098	10,061
Non-controlling interests	–	(2)	(1)	– ⁽⁴⁾	– ⁽⁴⁾
Pre-Invitation EPS ⁽²⁾ (cents)	3.04	1.13	3.56	1.83	1.41
Post-Invitation EPS ⁽³⁾ (cents)	2.41	0.90	2.83	1.45	1.12

Notes:-

- (1) The consolidated statement of comprehensive income of our Group for the Periods Under Review has been prepared on the basis that our Group has been in existence throughout the Periods Under Review.
- (2) For comparative purposes, the pre-Invitation EPS for the Periods Under Review have been computed based on the profit attributable to equity holders of the Company and the pre-Invitation share capital of 714,285,000 Shares.
- (3) For comparative purposes, the post-Invitation EPS for the Periods Under Review have been computed based on the profit attributable to equity holders of the Company and the post-Invitation share capital of 900,285,000 Shares.
- (4) Less than \$1,000.

PROSPECTUS SUMMARY

Selected items from the Consolidated Balance Sheets of our Group

(\$'000)	Audited Consolidated As at 31 May 2010	Unaudited Consolidated As at 30 November 2010
ASSETS		
Current assets	90,967	84,727
Non-current assets	73,763	71,240
Total assets	164,730	155,967
EQUITY AND LIABILITIES		
Current liabilities	112,362	95,724
Non-current liabilities	22,377	20,227
Shareholders' equity	29,949	39,974
Non-controlling interests	42	42
Total liabilities and equity	164,730	155,967
NTA per Share (cents)⁽¹⁾	4.19	5.60

Note:-

- (1) The NTA per Share as at 31 May 2010 and 30 November 2010 have been computed based on our shareholders' equity (excluding non-controlling interests) and the pre-Invitation share capital of 714,285,000 Shares.

THE INVITATION

- Invitation Size : 436,000,000 Invitation Shares (excluding the Over-allotment Shares) comprising 186,000,000 New Shares and 250,000,000 Vendor Shares. The New Shares, which form part of the Invitation, will, upon issue and allotment, rank *pari passu* in all respects with our existing issued Shares.
- Invitation Price : \$0.35 for each Invitation Share.
- The Offer : The Offer comprises an offering by our Company and the Vendor of 5,000,000 Offer Shares to the public in Singapore for subscription and/or purchase at the Invitation Price, subject to and on the terms and conditions of this Prospectus.
- The Placement : The Placement comprises an offering by the Joint Placement Agents on behalf of our Company and the Vendor of 431,000,000 Placement Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus.
- In connection with the Commitment Letters, KSL has provided a confirmation letter dated 17 February 2011, to subscribe for and/or purchase by itself or its nominee, 250,000,000 Placement Shares at \$0.35 each.
- Over-allotment Option : Our Company has granted to the Joint Underwriters, the Over-allotment Option which is exercisable by the Joint Underwriters in whole or in part prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 30,000,000 Shares representing approximately 6.88% of the Invitation Shares to undertake stabilizing actions solely for the purpose of covering over-allotments (if any) of the Invitation Shares. **Unless we indicate otherwise, all information in this Prospectus assumes that the Over-allotment Option is not exercised.**
- Purpose of the Invitation : Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX-ST will:-
- (a) enhance our public image locally and internationally;
 - (b) enable us to tap the capital markets to fund our business growth; and
 - (c) provide members of the public, our Directors, management staff, our employees and our business associates and others who have contributed to the success of our Group with an opportunity to participate in the equity of our Company.
- Listing Status : There has been no public market for our Shares prior to the Invitation. Our Shares will be quoted in Singapore dollars on the SGX-ST, subject to admission of our Company to the Official List of the SGX-ST and permission for dealing in, and for quotation of, our Shares being granted by the SGX-ST and the Authority not issuing a stop order.

PLAN OF DISTRIBUTION

The Invitation Price is determined by us and the Vendor in consultation with the Issue Manager, the Joint Underwriters and Joint Placement Agents after taking into consideration, *inter alia*, prevailing market conditions and the estimated market demand for our Shares determined through a book-building process. The Invitation Price is the same for all Invitation Shares and the Over-allotment Shares (if the Over-allotment Option is exercised) and is payable in full on application.

OFFER SHARES

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Invitation Price. Applications for Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications. The terms, conditions and procedures for applications are described in Appendix I of this Prospectus.

Pursuant to the terms and conditions contained in the management and underwriting agreement signed between our Company, the Vendor, the Issue Manager and the Joint Underwriters dated 21 February 2011 ("Management and Underwriting Agreement"), the Issue Manager has agreed to manage the Invitation and the Joint Underwriters have agreed to underwrite the Offer Shares.

In the event of an under-subscription for and/or purchase of the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for and/or purchase of the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed or over-subscribed for and/or purchased as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors after consultation with the Issue Manager and approved by the SGX-ST.

PLACEMENT SHARES

Applications for the Placement Shares may only be made by way of Placement Shares Application Forms. The terms, conditions and procedures for applications are described in Appendix I of this Prospectus.

Pursuant to the terms and conditions in the placement agreement signed between our Company, the Vendor and the Joint Placement Agents dated 21 February 2011 ("Placement Agreement"), the Joint Placement Agents have agreed to subscribe for and/or purchase, or procure subscribers and/or purchasers for the Placement Shares at the Invitation Price.

In the event of an under-subscription for and/or purchase of the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for and/or purchase of the Offer Shares as at the close of the Application List.

Subscribers and/or purchasers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price (plus GST thereon, if applicable) to the Joint Placement Agents as well as stamp duties and any other similar charges.

Please refer to the section entitled "Management, Underwriting and Placement Arrangements" of this Prospectus for further details.

OVER-ALLOTMENT AND STABILISATION

In connection with the Invitation, our Company has granted to the Joint Underwriters the Over-allotment Option exercisable by the Joint Underwriters in whole or in part prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 30,000,000 Shares representing approximately 6.88% of the Invitation Shares to undertake stabilising actions solely for the purpose of covering over-allotments (if any) of the Invitation Shares.

PLAN OF DISTRIBUTION

In order to facilitate the distribution of the Invitation Shares in the Invitation, the Joint Underwriters may in the exercise of its discretion and role, but subject always to applicable laws and regulations in Singapore, over-allot or effect transactions which stabilise or maintain the market price of the Shares at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulatory requirements, including the SFA and any regulations thereunder. The Joint Underwriters may purchase a maximum of 30,000,000 Shares (representing approximately 6.88% of the Invitation Shares) to undertake the stabilisation action. However, there is no assurance that the Joint Underwriters will undertake such stabilisation actions. Such transactions may commence on or after the commencement of trading of our Shares on the SGX-ST and, if commenced, may be discontinued at any time at the discretion of the Joint Underwriters, and shall not be effected after the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 30,000,000 Shares representing approximately 6.88% of the Invitation Shares to undertake stabilising actions.

None of our Company, the Vendor, the Issue Manager, Joint Underwriters nor the Joint Placement Agents makes any representation or prediction as to the magnitude of any effect that the transactions described in this section may have on the market price of our Shares. In addition, none of our Company, the Vendor, the Issue Manager, Joint Underwriters nor Joint Placement Agents makes any representation that the Joint Underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without advance notice (unless such notice is required by law).

The Joint Underwriters will be required to make public announcements through the SGXNET on the cessation of the stabilising action and the amount of the Over-allotment Option that has been exercised not later than the start of the trading day of the SGX-ST immediately after the day of cessation of the stabilisation action.

Any profits, less the underwriting and selling commissions of the Joint Underwriters, derived as a consequence of the Joint Underwriters undertaking such stabilisation actions shall accrue to the benefit of the Joint Underwriters.

SHARE LENDING AGREEMENT

Lim Tze Jong has entered into a share lending agreement with the Joint Underwriters on 21 February 2011 to lend up to 30,000,000 Shares to the Joint Underwriters for the purpose of facilitating the settlement of the over-allotment of the Shares in connection with the exercise of the Over-allotment Option. Save for the abovementioned Shares, the Shares of Lim Tze Jong are subject to the moratorium undertaking set out in the section entitled "Moratorium" of the Prospectus. At the conclusion of such activities, all Shares lent (if any) will be returned to Lim Tze Jong and will thereafter be subject to the moratorium undertaking.

Save as disclosed under the section entitled "Shareholders" of this Prospectus, none of our Directors or our Substantial Shareholders intends to subscribe for and/or purchase the Invitation Shares in the Invitation.

Pursuant to the Commitment Letters, and subject to fulfilment of the following conditions precedent:-

- (a) KSL having given a written notice to our Company and Vendor not later than 15 July 2010 that KSL has received board approval following satisfactory due diligence of our Group;
- (b) our Company and KSL having finalised and executed the Collaboration Agreement not later than 15 July 2010 (please see the section entitled "Potential Conflict of Interests – Collaboration with KSL" of this Prospectus for more information);
- (c) our Company and KSL having finalised and executed the ROFR Agreement not later than 15 July 2010 (please see the section entitled "General Information on our Group – Proposed Investment by KSL" of this Prospectus for more information);

PLAN OF DISTRIBUTION

- (d) receipt by our Company of the in-principle approval for the listing and quotation of our Shares on the SGX-ST from the SGX-ST and such approval not having been revoked or amended, and if the approval is granted subject to conditions, such conditions being reasonably acceptable to KSL and, to the extent that any conditions are required to be fulfilled, such conditions being satisfied or waived by the SGX-ST and the SGX-ST not having made any ruling the effect of which is to restrict or impede the listing and quotation of our Shares;
- (e) lodgement with and registration by the Authority of this Prospectus;
- (f) the subscription of the Placement Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after 22 June 2010 by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Vendor, the Company or KSL; and
- (g) the listing and quotation of our Shares on the SGX-ST.

KSL has irrevocably committed to subscribe for and/or purchase by itself or its nominee (which shall be a wholly owned subsidiary of KOM) via placement for 20% to 29% of the post-Invitation issued share capital of our Company at the Invitation Price or at a price based on a pre-Invitation valuation of up to \$250 million for our Company at the Invitation, whichever is lower. Notwithstanding the above, the Company and the Vendor have, after consultation with the Joint Underwriters, agreed that the calculation of the Invitation Price shall be based on a pre-Invitation valuation of the Company at no more than \$250 million. Accordingly, a single Invitation Price shall apply equally to KSL and other investors for purposes of the Invitation. The Shares to be subscribed/purchased by KSL or its nominee are part of the Invitation Shares. It is a term in the Commitment Letters that no single investor (whether by itself or together with its Associate) except KSL or its nominee, will be allotted and/or allocated in excess of 10% of the capital of our Company post-Invitation in the Placement. Please refer to "Proposed Investment by KSL" under the section entitled "General Information on Our Group" of this Prospectus for further details.

As at the Latest Practicable Date conditions precedent (a), (b) and (c) have been fulfilled. The Company received a conditional eligibility-to-list from SGX-ST on 28 January 2011. As at the Latest Practicable Date, our Company is not aware that the subscription of Placement Shares by KSL is prohibited by any statute, order, rule, regulation or directive promulgated or issued after 22 June 2010 by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Vendor, our Company or KSL.

In connection with the Commitment Letters, KSL has provided a confirmation letter dated 17 February 2011, to subscribe for and/or purchase by itself or its nominee, 250,000,000 Placement Shares at \$0.35 each.

Save for the proposed investment by KSL, to the best of our knowledge, as at the Latest Practicable Date, we are unaware of any person who intends to subscribe for and/or purchase more than 5% of the Invitation Shares.

Our Executive Directors, Mr Varghese John and Mr Lim Tjew Yok, will each be offered 2,000,000 Placement Shares at the Invitation Price.

However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for and/or purchase more than 5% of the Invitation Shares. If such person(s) were to make an application for more than 5% of the Invitation Shares pursuant to the Invitation and subsequently be allotted and/or allocated such number of Shares, we will make the necessary announcements at an appropriate time. The final allocation of Shares will be in accordance with the shareholding spread and distribution guidelines set out in Rule 210 of the Listing Manual.

Further, no Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

USE OF PROCEEDS FROM THE INVITATION AND EXPENSES INCURRED

The estimated amount of expenses of the Invitation and the application for listing, including underwriting and placement commission, brokerage, management, audit and legal fees, advertising and printing expenses, listing fees payable to the SGX-ST and the Authority and all other incidental expenses in relation to the Invitation is approximately \$7.2 million. Save for the listing fees, these expenses will be borne by our Company and the Vendor in the proportion in which the number of Invitation Shares offered by each of us and the Vendor pursuant to the Invitation bears to the total number of Invitation Shares. Accordingly, approximately \$3.1 million will be borne by our Company and approximately \$4.1 million will be borne by the Vendor. The net proceeds to be raised by our Company from the issue of the New Shares are estimated to be \$62.0 million.

Each principal intended use of the proceeds from the issue of New Shares and major expenses is set out below:-

Use of the proceeds	(\$'000)	Estimated amount for each dollar of the gross proceeds from the issue of New Shares (cents)
(a) Expansion of yard facility at 13 Pandan Crescent	8,000	12.29
(b) Upgrading and expansion of yard facility at Main Yard	12,000	18.43
(c) Acquisition of additional equipment and machineries	7,000	10.75
(d) Expansion of operations overseas	20,000	30.72
(e) Working capital	15,000	23.04
Net Proceeds	62,000	95.24
Expenses		
(a) Listing fees	75	0.12
(b) Professional fees	673	1.03
(c) Underwriting commission, placement commission and brokerage	2,089	3.21
(d) Miscellaneous expenses	263	0.40
Gross proceeds	65,100	100.00

Additional information on our future plans may be found under the section entitled "Business Strategies and Future Plans" of this Prospectus. Our future plans may be funded, apart from the Invitation Proceeds, either through internally generated funds and/or external borrowings.

Pending the deployment of the net proceeds as aforesaid, the funds will be placed in short-term deposits with financial institutions, used to invest in short-term money market instruments and/or used for working capital requirements as our Directors may, in their absolute discretion, deem appropriate.

As part of its terms of reference, our Audit Committee will monitor our use of proceeds. We will make periodic announcements as and when the net proceeds from the issue of the New Shares are materially disbursed and provide a status report on the use of the net proceeds in our annual report.

USE OF PROCEEDS FROM THE INVITATION AND EXPENSES INCURRED

In the event that any part of our proposed uses of the net proceeds from the issue of the New Shares does not materialise or proceed as planned, our Directors will carefully evaluate the situation and may reallocate the intended funding to other purposes and/or hold such funds on short-term deposits for so long as our Directors deem it to be in the best interest of our Company and our Shareholders, taken as a whole. Any change in the use of the net proceeds will be subject to the listing rules of the SGX-ST and appropriate announcements will be made by our Company on SGXNET.

In the opinion of our Directors, no minimum amount must be raised from the Invitation.

If the Over-allotment Option is exercised in full, the additional net proceeds (after the payment of relevant fees, commissions and expenses) which we will receive is approximately \$10.2 million. Such net proceeds will be used for our working capital.

We do not currently have any intention to use the Invitation proceeds to purchase assets outside the ordinary course of business.

NET PROCEEDS FROM THE SALE OF THE VENDOR SHARES

The net proceeds attributable to the Vendor from the sale of the Vendor Shares after deducting the Vendor's share of the expenses in relation to the Invitation of approximately \$4.1 million, are estimated to be approximately \$83.4 million.

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

Pursuant to the Management and Underwriting Agreement, our Company and the Vendor have jointly appointed the Issuer Manager and the Joint Underwriters to manage the Invitation and underwrite the Offer Shares (as the case may be). The Issue Manager will receive a management fee from our Company and the Vendor for its services rendered in connection with the Invitation.

Pursuant to the Management and Underwriting Agreement, the Joint Underwriters have agreed to underwrite the Offer Shares for a commission of 3.0% (inclusive of each Participating Bank's brokerage set out below) at the Invitation Price for each Offer Share payable by our Company and the Vendor in the proportion in which the number of Offer Shares offered by each of them bears to the total number of Offer Shares. The Joint Underwriters may, at liberty and at their own expenses, appoint one or more sub-underwriters to underwrite the Offer Shares.

Brokerage will be paid by our Company and the Vendor, out of the underwriting commission (except the minimum brokerage fee levied by DBS Bank), to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore (other than DBS Bank) in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks (other than DBS Bank) in respect of successful applications made through Electronic Applications, at the rate of 0.25%, and in the case of DBS Bank, 0.50%, of the Invitation Price for each Invitation Share. In addition, DBS Bank levies a minimum brokerage fee of \$10,000.

Pursuant to the Placement Agreement, the Joint Placement Agents have agreed to subscribe for and/or purchase or procure subscriptions for and/or purchases of the Placement Shares for a placement commission of 3.0% of the Invitation Price for each Placement Share payable by our Company and the Vendor in the proportion in which the number of Placement Shares offered by each of them pursuant to the Placement bears to the total number of Placement Shares. The Joint Placement Agents may, at their sole discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers and/or purchasers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price for each Placement Share to the Joint Placement Agents (including the prevailing GST, if applicable).

Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted within two years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing for and/or purchasing or agreeing to subscribe for and/or purchase or procuring or agreeing to procure subscriptions for and/or purchases of any shares in, or debentures of, our Company or any of our subsidiaries.

The Management and Underwriting Agreement may be terminated by the Issue Manager, or any of the Joint Underwriters, at any time on or before the close of the Application List on the occurrence of certain events including without limitation:-

- (a) the issue of a stop order by the Authority in accordance with Section 242 of the SFA; or
- (b) any breach of the representations, warranties or undertakings in the Management and Underwriting Agreement or the Placement Agreement which comes to the knowledge of the Issue Manager and/or Joint Underwriters; or
- (c) any occurrence of certain specified events which comes to the knowledge of the Issue Manager and/or Joint Underwriters; or
- (d) any material adverse change, or any development involving a prospective adverse change, in the condition (business, trading, operational, financial or otherwise) of the Company or of the Group as a whole; or

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

- (e) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, notice, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the ACRA, the Securities Industry Council of Singapore or the SGX-ST) in Singapore or elsewhere or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore or elsewhere including but not limited to foreign exchange controls in Singapore or overseas which is likely to have a material adverse effect on the business, trading position, operations or prospects of the Company or of the Group as a whole; or
- (f) any change or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, legal, or monetary conditions, taxation or exchange controls (including but without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise, adverse changes in foreign exchange controls in Singapore or overseas, or any combination of any such changes or developments or crisis or any deterioration thereof) which is likely to have a material adverse effect on the business, trading position, operations or prospects of the Company or of the Group as a whole; or
- (g) any imminent threat or occurrence or any local, national or international outbreak or escalation of hostilities, insurrection, terrorists attacks or armed conflict (whether or not involving financial markets in any jurisdiction) which is likely to have a material adverse effect on the business, trading position, operations or prospects of the Company or of the Group as a whole; or
- (h) any regional or local outbreak of disease that may have an adverse effect on the financial markets which is likely to have a material adverse effect on the business, trading position, operations or prospects of the Company or of the Group as a whole; or
- (i) any other occurrence of any nature whatsoever, which event or events shall in the reasonable opinion of the Issue Manager and/or the Joint Underwriters:-
 - (1) results or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or elsewhere; or
 - (2) is likely to materially prejudice the success of the Invitation; or
 - (3) make it impracticable, inadvisable, inexpedient or not commercially viable to proceed with any of the transactions contemplated in the Management and Underwriting Agreement or Placement Agreement; or
 - (4) is likely to have a material adverse effect on the business, trading position, operations or prospects of the Company or of the Group as a whole; or
 - (5) is such that no reasonable underwriter would have entered into the Management and Underwriting Agreement; or
 - (6) results or is likely to result in the issue of a stop order by the Authority; or
 - (7) make it non-commercial or otherwise contrary to or outside the usual commercial customs or practices of underwriting in Singapore for the Joint Underwriters to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement (as the case may be).

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

Notwithstanding anything herein contained, the Issue Manager or the Joint Underwriters may by notice in writing to our Company terminate the Management and Underwriting Agreement, if:-

- (a) at any time up to the close of the Application List, a stop order shall have been issued by the Authority in accordance with Section 242 of the SFA; or
- (b) at any time after registration of the Prospectus with the Authority but before the close of the Application List, our Company fails and/or neglects to lodge a supplementary or replacement prospectus (as the case may be) if we become aware of:-
 - (i) a false or misleading statement or matter in the Prospectus;
 - (ii) an omission from the Prospectus of any information that should have been included in it under Section 243 of the SFA; or
 - (iii) a new circumstance that has arisen since the Prospectus was lodged with Authority and would have been required by Section 243 of the SFA to be included in the Prospectus if it had arisen before the Prospectus was lodged, that is materially adverse from the point of view of an investor; or
- (c) the Shares (including the New Shares) have not been admitted to the Official List of the SGX-ST on or before 2 March 2011 (or such other date as our Company, the Vendor, the Issue Manager and the Joint Underwriters may agree).

The Placement Agreement is conditional upon, *inter alia*, the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement or on the occurrence of certain events including those specified above.

In the event that the Management and Underwriting Agreement or the Placement Agreement is terminated, we reserve the right, at the absolute discretion of our Directors and the Vendor, to cancel the Invitation.

Save as disclosed above, we do not have any material relationship with any of the Issue Manager, the Joint Underwriters or Joint Placement Agents.

RISK FACTORS

Prospective investors should carefully consider and evaluate each of the following considerations and all other information contained in this Prospectus before deciding to invest in our Shares. Some of the following risk factors relate principally to the industry in which our Group operates and the business of our Group in general. Other considerations relate principally to general economic and political conditions and the securities market and ownership of the Shares, including possible future sale of Shares. Before deciding to invest in our Shares, you should seek professional advice from the relevant advisers about your particular circumstances. To the best of our Directors' knowledge and belief, all risk factors which are material to investors in making an informed judgment of our Group have been set out below. If any of the following considerations, uncertainties or material risks develop into actual events, our business, financial condition and/or results of operations could be materially and adversely affected. In such cases, the trading price of our Shares could decline and investors may lose all or part of their investment in our Shares.

This Prospectus also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We have two major customers who contribute in aggregate 90.7%, 47.8%, 91.9% and 86.7% of our revenue in FY2008, FY2009, FY2010 and HY2011 respectively

For Periods Under Review, we have major customers, namely SBM and Modec, who contribute to a significant volume of our business. For FY2008, FY2009, FY2010 and HY2011, revenue contribution from SBM was 89.9%, 38.5%, 38.0% and 27.0% respectively while revenue contribution from Modec was 0.8%, 9.3%, 53.9% and 59.7% for the same corresponding periods. Please refer to the section entitled "Major Customers" of this Prospectus for more information. There is no assurance that we will be able to retain our major customers or the volume of orders from SBM and Modec will remain at current levels or prices. Any material cancellation, reduction in orders and/or claims for whatever reasons by any of our major customers will adversely affect our financial performance and financial condition.

The total amount of new contracts we secured for the period from 1 June 2010 to the Latest Practicable Date is substantially lower compared to those secured in FY2009 and FY2010. As at the Latest Practicable Date, we do not have any new projects for delivery in FY2012. There is no assurance that we will be able to secure additional contracts and/or new customers

For the period from 1 June 2010 to the Latest Practicable Date, we have in total contracts worth approximately \$138.0 million, comprising new contracts of \$43.4 million and contracts carried from the previous financial year of \$94.6 million. The amount of new contracts secured as at the Latest Practicable Date is substantially lower compared to the \$326.9 million secured in FY2009 and \$67.1 million secured in FY2010. In addition, as at the Latest Practicable Date, we do not have any new projects for delivery in FY2012. All our services are provided on a project-basis. Although we have long-standing relationships with several of our customers, there is no assurance that we will continually and consistently secure projects from them. Customers seek quality services and timely delivery of modules at competitive prices. We aim to continually meet these requirements. Our profitability and financial performance will depend on our ability to secure both new customers and new-projects on a regular basis. If we are unable to do so for any reason, our profitability and financial performance will be materially and adversely affected.

We have negative working capital for the Periods Under Review

We had negative working capital of \$12.2 million, \$23.3 million, \$21.4 million and \$11.0 million respectively as at the end of the Periods Under Review. Our negative working capital was due mainly to significant investments in property, plant and equipment for upgrading our yard facilities and expansion of yard capacities which we had financed mainly using our internal sources of funds. As such, we are subject to the risk that our current assets will be insufficient to meet our obligations under the current liabilities. In such event, additional capital, debt or other forms of financing may be required for our working capital. If any of the aforesaid events occurs and we are unable, for any reason, to raise

RISK FACTORS

additional capital, debt or other financing for our working capital requirements, our business, operating results, liquidity and financial position will be adversely affected. Please refer to the sections entitled “Review of Financial Position” and “Liquidity and Capital Resources” of this Prospectus for more information.

We may be affected by adverse fluctuations in the oil and gas industry

We are involved in the detailed engineering, procurement and construction of topside modules for FPSOs and FSOs which are used by companies and businesses operating in the oil and gas industry. Accordingly, our financial performance is dependent on the level of activities in the exploration, development and production of oil and natural gas and capital expenditure in the oil and gas industry. Oil and gas prices, as well as expectations of potential changes in these prices significantly affect this level of activities. Oil and gas prices are volatile and are affected by various factors including, but not limited to the following:-

- (i) worldwide economic activity and growth;
- (ii) actual and perceived changes in demand and supply of oil and gas;
- (iii) costs of exploring for, producing and delivering oil;
- (iv) conflict or instability in the Middle East or other major oil and gas producing regions; and
- (v) government policies and regulations, including energy and resources policies and environmental and safety regulations;

Where the level of exploration, development and production activities in the offshore oil and gas industry decline, the demand for our services may correspondingly decline. In addition, any major industrial accident or disaster such as the one in the Gulf of Mexico in May 2010 may result in suspension of offshore exploration activities, hence lowering demand for FPSOs, FSOs and semi-submersibles and consequently demand for fabrication of topside modules for which our services are required. This in turn will adversely affect our financial performance.

We face the risk of increases in labour costs

Labour costs contribute significantly to our total costs. In FY2008, FY2009, FY2010 and HY2011, wages accounted for approximately 8.8%, 8.9%, 8.7% and 10.7% of our Group's total cost of sales, respectively. Wages in Singapore are generally higher compared to neighbouring countries such as Malaysia, Thailand, Indonesia and the PRC. To ensure that we remain competitive, we recruit a significant number of skilled workers from Malaysia, India, Bangladesh and the PRC. In the event of a shortage of foreign workers or restriction against employment of foreign employees as may be imposed by the MOM, our operations and project schedule will be affected. If this develops into actual events, our financial performance will be adversely affected. In addition, in the event that we have to employ more workers from Singapore, the higher labour costs will adversely affect our financial performance.

We may be affected by project cost overruns

In our preparation for tender submissions for projects, we carry out internal costing and budgeting estimates based on the scope of work, labour and material costs and third party costs. The accuracy of the internal costing and budgeting estimates is subject to our experience and expertise in understanding and accessing the complexity and engineering challenges of each project.

However, unforeseen circumstances such as unanticipated price fluctuations of raw materials, changes or damages during fabrication processes, increases in labour costs and omissions in estimation in our internal costing may arise. As these circumstances may require additional costs and work which were not factored in the contract value, they may lead to cost overruns which may erode our profit margin for the project. If these develop into actual events, our financial performance will be adversely affected.

In the event that any of the above circumstances shall occur and if we are unable to manage such cost overruns, then our profitability and financial results will be adversely affected.

RISK FACTORS

We are dependent on the availability of an adequately skilled workforce

Due to the specialised nature of our services, we are required to maintain a skilled workforce. Skilled personnel with the appropriate experience in our industry are limited and competition for such personnel is intense. There is no assurance that we will be able to attract personnel with the requisite skills or experience or that we are able to retain the skilled personnel whom we have trained, or whether suitable and timely replacements can be found for skilled personnel who leave us. If we are unable to continue to attract and retain skilled employees, the quality and timeliness of our projects, and consequently our ability to compete effectively and our financial performance, will be adversely affected.

We are affected by the performance and quality of our sub-contracted works

We sub-contract certain types of work, such as steel fabrication, piping, blasting and painting, scaffolding, mechanical and electrical fittings and testing to third parties or sub-contractors. We are exposed to the timely delivery and the quality required of the sub-contracted works. On a regular basis, we review our sub-contractors' performance and conduct due diligence assessment on the sub-contractors' previous projects and available manpower. We also place management supervision on site to manage the sub-contractor and to ensure the sub-contractor performs at the level we require. However, should our sub-contractors fail to adhere to our specifications or default on their contractual obligations, our ability to deliver the project on time will be compromised, and we may be exposed to liabilities under the main contracts with our customers. In addition, we may not be able to find alternative sub-contractors to complete the work in a timely fashion and we may be subject to higher costs from alternative sub-contractors, which will adversely affect our financial performance.

We may require additional financing to fund our projects and future growth

Currently, for most of our projects, an initialisation fee to commence the project is paid by our customers prior to the commencement of the project with subsequent payments made according to work done on a progressive basis. As such, we currently do not require external financing to fund the initial cost of projects, such as labour costs, material costs, performance bonds and/or guarantees required for the projects. A typical initialisation fee would range approximately between 10% and 15% of the total cost of the project. However, there is no assurance that such initialisation fees for future projects will be sufficient to cover all our initial costs. Should this be the case, we may use our internal resources and/or require financing from banks or other financial institutions to cover any shortfall in funding. Should we be unable to finance such projects or obtain financing on favourable terms, our profitability or our ability to grow our business will be materially and adversely affected.

In addition, we may need additional financing to fund our business in future. There is no assurance that we will be able to obtain additional financing on terms that are acceptable to us or at all. If we are unable to do so, our future plans and growth prospects will be adversely affected.

Additional debt financing may also include restrictive covenants that:-

- (a) limit our ability to pay dividends or require us to seek consents from the relevant financial institutions for the payment of dividends;
- (b) require us to maintain certain financial ratios, failing which repayment of debt may be accelerated; and/or
- (c) restrict our ability to undertake or require us to obtain consents from the relevant financial institutions for corporate restructuring, additional financing or other fundraising activities.

RISK FACTORS

We are subject to the credit risks of customers

Most of our projects typically involve progressive billing according to the stages of project completion pursuant to the terms of the contracts. There is no assurance on the timeliness of customers' payment or whether they will be able to fulfil their payment obligations. As we extend credit terms of up to 45 days to our customers, we are subject to the risk of bad debts should any of our customers fail to promptly settle the amounts due to us for work done, particularly if our customers experience cash flow difficulties or deterioration in their business performance and financial position. Please refer to the section entitled "Credit Control Policy" of this Prospectus for further details. Any incidence of bad debts will have an adverse impact on our financial position and financial performance.

We may need to incur additional costs or liquidated damages in the event of disputes, claims, defects or delays

We typically provide warranty periods ranging from one to three years. During this period, we are required to rectify defects at no cost to the customers. If we are required to rectify defects during the warranty period which result in substantial additional costs being borne by us, the profitability of the relevant project will be reduced.

We may encounter disputes with our customers in relation to non-compliance with contract specifications, defects in workmanship and materials used. There can be no assurance that any such disputes and claims will not result in protracted litigation, which will have a negative impact on our profits, cash flow and financial position. In the event that our customers suffer loss and damage due to defects which may be attributable to us, they may claim against us, thereby adversely affecting our financial performance.

Contracts for projects usually contain provisions for payment of liquidated damages by us in the event that the hand-over of our projects is delayed. Should our projects encounter any delays, whether attributable to us or our suppliers or sub-contractors or events beyond our control, we may be liable to pay liquidated damages. Liquidated damages are typically calculated based on the period of delay subject to a limit up to 10% of the contract value. If there is a significant delay in the completion of a project, our Group would accordingly be liable for a substantial amount of liquidated damages. This in turn, would adversely and materially affect our profitability and financial position. For example, DM Engineering Singapore was engaged by Weir LGE Process to carry out fabrication works for four refrigeration skids. Two skids were completed but were not paid for. Weir LGE Process may claim against DM Engineering Singapore for non-completion of the remaining two skids. Please refer to the section entitled "Litigation" of this Prospectus for more information.

We may be subject to risks associated with the regulatory environment in which our customers operate

The operations involving exploration, development and production of oil and gas are regulated by the laws, regulations, policies and directives relating to energy, safety investment, taxation and such other laws promulgated by the governments of countries in which such operations are carried out, which our customers are required to comply with. If our customers are unable to obtain the necessary licences to engage in such activities due to any change in any such laws, regulations, policies and directives whether due to oil spills or other reasons (including oil spills into the marine environment) which results in delays or cancellations of their participation in exploration, development or production projects which, in turn affect the demand for our services, then our profitability and financial performance will be adversely affected.

We require various licences and permits

We are required to obtain various licences and permits to conduct our business. Details of these licences and permits are described in Appendix H – "Government Regulations" of this Prospectus.

The licences and permits are generally subject to conditions stipulated in the licences and permits and/or relevant laws or regulations under which such licences and permits are issued. Failure to comply with such conditions could result in the revocation or non-renewal of the relevant licence or permit. As such, we have to constantly monitor and ensure our compliance with such conditions. Should there be any failure to comply with such conditions resulting in the revocation or non-renewal of any of the licences and permits, we may not be able to carry out our operations. In such event, our operations, and financial performance and financial condition may be adversely affected.

RISK FACTORS

As at the Latest Practicable Date, DM Engineering Malaysia has not been registered with Construction Industry Development Board (“CIDB”) under the Construction Industry Development Board Act 1994. DM Engineering Malaysia had completed two projects (the “Malaysian Projects”) previously in 2007 without such registration under Construction Industry Development Board Act 1994. DM Engineering Malaysia may be liable to a fine not exceeding RM50,000 for each of the Malaysian Projects, should the CIDB enforce the fines. The maximum fine for the two Malaysian Projects would be RM100,000.

As advised by our Malaysian legal counsel, being foreign owned companies, DM Engineering Malaysia may apply for registrations as a foreign contractor on a project by project basis, which are, as a matter of policy, granted on a discretionary basis. Any registration as a foreign contractor will be specific to and for the purposes of carrying out the particular project concerned.

Our Group does not at present have any ongoing or pending contracts or projects in Malaysia and is not required to apply for registrations with CIDB.

In the future, we will ensure that DM Engineering Malaysia applies for all necessary licences and approvals to conduct their businesses in Malaysia.

We are exposed to potential liability arising from damages, injury or death due to accidents

Due to the nature of our operations, there is a risk of accidents occurring either to our employees or to third parties such as resident contractors or sub-contractors on our premises. These accidents may occur due to various reasons or as a result of non-compliance with safety rules and regulations. Depending on the severity of such accidents, we may be subject to inquiries and investigations by the relevant authorities and/or be issued stop-work orders. In the event that we are found to be liable for such accidents, penalties or damages may be imposed against us. In FY2007, an accident resulting in the death of a worker employed by one of our sub-contractors occurred on our premises. The Ministry of Manpower has carried out investigations to determine the cause of the accident. On 26 November 2010, DM Engineering Singapore received a summons requiring the company to appear on 14 December 2010 before the Subordinate Court to answer to a charge for contravening Regulation 20(1) of the Factories (Operations of Cranes) Regulations for failing to appoint a lifting supervisor before any lifting operation involving the use of crane, and before the lifting operation of metal web frames involving a gantry crane in our fabrication yard. The summons also stated in the event of a conviction, DM Engineering Singapore shall be liable to a fine not exceeding \$20,000. Please refer to the section entitled “Litigation” of this Prospectus for more information. On 14 December 2010, the hearing of the case was postponed to 25 January 2011 and subsequently to 22 February 2011. As at the Latest Practicable Date, the charges are still pending.

If any accidents are not covered by our insurance policies, claims arising from such accidents are in excess of our insurance coverage or if any of our insurance claims are contested by any insurance company, we may be required to pay for such compensation, which may have a material and adverse impact on our financial performance. In addition, the payment by our insurers of such insurance claims may result in increases in the premiums payable by us for our insurances. This will also increase the costs of our operations and adversely affect our financial performance.

We are exposed to foreign exchange risks

Our revenue and purchases are denominated mainly in Singapore Dollars. However, we also transact in other currencies such as US\$. For FY2010, 90.7% of our Group’s revenue were denominated in Singapore Dollars with the remaining 9.3% in US\$. During the same period, approximately 94.2% of our Group’s expenditures were denominated in Singapore Dollars with the remaining 5.8% in foreign currencies such as US\$, Australian Dollar, Eurodollar, the British Pound and RM. We had foreign exchange losses of \$0.8 million in FY2008 and foreign exchange gains of \$0.4 million and \$0.6 million in FY2009 and FY2010 respectively. Going forward, to the extent that our revenue, purchases and operating costs are not naturally matched in the same currency and given the timing differences between collections and payments, we will be exposed to any adverse fluctuations in the exchange rates between the various foreign currencies and the Singapore Dollars, which is our reporting currency. Any restrictions over the conversion or timing of conversion of foreign currencies may also expose us to adverse fluctuations in exchange rates. As a result, our earnings may be adversely affected.

RISK FACTORS

We face the risk of significant increase in the price or shortage of steel materials

Steel is one of the main raw materials required by our business. The price of steel is subject to global demand and supply of steel and other macroeconomic conditions. In order to provide quality services at competitive prices, we need to obtain sufficient quantities of quality steel materials at acceptable prices and in a timely manner.

We currently do not have any fixed price agreements with our suppliers for raw materials. Although we have established good working relationships with our suppliers, there is no assurance that we will continue to be able to obtain steel materials from our suppliers at acceptable prices or that our suppliers would be able to meet our requirements. In the event that our suppliers are unable to meet our requirements or we are unable to procure sufficient quantities of steel materials from suppliers at prices which are favourable to us and in a timely manner, our profit margins and financial performance will be adversely affected.

There is no assurance that our expansion plans will be successful

As described in the section entitled “Business Strategies and Future Plans” of this Prospectus, we intend to leverage on our experience in the engineering, procurement and fabrication of top-side modules and establish a presence in countries such as Brazil and the PRC in collaboration with KSL and/or suitable local partners within the next two years. These expansion plans will involve significant costs of investment as well as additional working capital requirements. The success of these plans may depend on the existence of favourable economic and political conditions in the overseas markets which we intend to venture into, as well as the commercial viability of our new operations. Should we fail to implement our expansion plans or there is insufficient demand for our services, our business, results of operations and financial position will be materially and adversely affected.

Our production capacity in Singapore may be limited by our limited operating space

Our production capacity in Singapore may be limited by the availability of suitable sea-front yard facilities for our business operations, especially for our fabrication and integration services. In the event that there is an increase in demand for our services which we are unable to meet due to the physical constraints of our operating space, our customers may procure the services of our competitors. This would restrict the growth of our revenue and our financial performance.

We face competitive pressures

Our business is competitive and we face competition from local and international players from countries such as Dubai, Malaysia and Indonesia. Some of our competitors may have longer operating history, larger customer base, stronger relationships with customers and suppliers and greater financial strength, technical and marketing expertise in the markets we operate in or intend to venture into. In the event that we are unable to provide competitive pricing and quality products and services on a timely basis, we may lose our customers and market share to competitors. This will materially and adversely affect our financial performance. Please refer to the section entitled “Competition” of this Prospectus for further information.

Further, some of our suppliers and customers are multinational companies with significant bargaining power in negotiating price, credit and other commercial terms. Depending on our relative negotiation strengths, we cannot ensure that we will be able to consistently obtain terms that were historically available to us and hence, maintain our gross profit margin. In the event that we are unable to maintain our gross profit margin, our financial performance will be adversely affected.

Interruptions of our operations caused by inclement weather and disruptions to our fabrication facilities will affect our financial position and results

Our work schedule may be delayed or interrupted by inclement weather. In the event that we encounter significant inclement weather, our operations may be interrupted which may result in delays in the completion of our projects. Such disruptions to our project schedules will have a material adverse impact on our financial performance.

RISK FACTORS

Our business may also be affected by disruptions to our fabrication facilities due to causes such as natural disasters, fires or equipment breakdown. The occurrence of power failure or power surges at our fabrication facilities may also result in damages to our fabrication equipment or facilities or cause production halt or delay in our fabrication process and project schedule. Although we have not encountered any aforesaid major disruptions to our fabrication facilities, such disruptions, if they arise will have a material adverse impact on our operations, and in turn, adversely affect our business and financial performance. Although we have taken general insurance coverage in respect of damage to our fabrication facilities, our existing insurance may nonetheless be insufficient to fully compensate us for actual losses or damages, and our financial condition will be adversely affected. Furthermore, if these disruptions lead to an inability to complete projects on schedule, our reputation and relationship with customers and our future business may be adversely affected.

We are dependent on our key management personnel

The continued success of our Group is dependent to a large extent on our ability to retain our key management personnel, in particular, our Executive Chairman and CEO, Mr Lim Tze Jong, and our Executive Directors Mr Lim Tjew Yok and Mr Varghese John, as well as our Executive Officers. There is no assurance that we will be able to retain the services of our key management personnel. The loss of our key management personnel without suitable replacement will have an adverse impact on our operations.

We may be affected by unanticipated delays or premature termination of our projects by our customers

Customers may postpone the handover and delivery of our projects due to unforeseen circumstances. Such delays in project timing may affect our ability to efficiently manage workspace and allocate resources for the execution of subsequent projects.

Some of our contracts may be prematurely terminated. This may be due to the occurrence of certain events including the abandonment or suspension of the underlying projects (such as offshore exploration, development or production projects) which customers have undertaken. For example, in FY2009, our inventories increased as we had acquired materials for a project which was subsequently aborted. Please refer to the section entitled “Management Discussion and Analysis of the Results of Operations and Financial Condition – Liquidity and Capital Resources – FY2009” of this Prospectus for further information. In such situations, the contracts generally provide for us to be compensated for the costs of demobilisation. However, the amount of compensation paid may not be adequate for us to offset the costs incurred, including costs payable to our sub-contractors and/or suppliers. In the event of a premature termination of any projects or contracts in progress where we are not adequately compensated, our financial position will be materially and adversely affected.

We may be affected by adverse changes in the political, economic, regulatory or social conditions in the countries in which we operate or into which we intend to expand

We are governed by the laws, regulations and government policies in each of the countries in which we operate or into which we intend to expand our business and operations. Our business and future growth are dependent on the political, economic, regulatory and social conditions in these countries. Any economic downturn or changes in policies in these countries, currency and interest rate fluctuations, capital controls or capital restrictions, labour laws, changes in environmental protection laws and regulations, duties and taxation and limitations on imports and exports could materially and adversely affect our operations, financial performance and future growth.

RISK FACTORS

Our products are subjected to stringent international quality codes and standards and certification for quality control

We fabricate structures which are commonly used as parts of vessels or equipment for the oil and gas industries. In addition we also carry out repair works for equipment on vessels. Such vessels and equipment function in harsh environmental conditions. As such our products must meet the highest standards with respect to corrosion prevention, chemical tolerance, stress tolerance and safety. To ensure that such structures fabricated by us meet the necessary standards, we are required to ensure that our products comply with stringent quality control codes and standards prescribed by international professional bodies and institutions for our industry. Please refer to the section entitled "Quality Assurance and Safety Standards" of this Prospectus for further details. We will be prohibited from carrying out certain fabrication or repair work or our customers may refuse to contract with us if we fail to comply with such codes and standards or if we lose or are unable to renew one or more of our certifications and accreditations. This in turn may have a material adverse effect on our business and financial performance.

We are exposed to risk in respect of outbreaks of H1N1 influenza, bird flu, virus and/or other communicable diseases which, if uncontrolled, could affect our financial performance and prospects

An outbreak of the H1N1 influenza, bird flu, and/or other communicable diseases, if uncontrolled could affect our operations, as well as the operations of our customers, sub-contractors and suppliers. Further, in the event that any of our employees is infected with other communicable diseases, we may be required to shut down part of our operations to prevent the spread of the disease. This would result in longer lead-time for completion of projects. Failure to meet our customers' expectations could damage our reputation, and may as a result, lead to loss of business and affect our ability to attract new business. An outbreak of the bird flu and/or other communicable diseases could therefore have an adverse impact on our business and operations.

RISKS RELATING TO OUR OVERSEAS BUSINESS

We may be subject to the guidelines in Malaysia concerning ownership of equity interests

The FIC has in the past regulated and prescribed guidelines (the "FIC Guidelines") in connection with matters such as acquisition of assets or any interests, mergers and takeovers of companies and business incorporate or registered in Malaysia.

The FIC is a committee of the Economic Planning Unit of the Malaysian Prime Minister's Department. The FIC is not a statutory body and the FIC Guidelines are not issued pursuant to any power granted by legislation. Hence, the courts have held that the FIC Guidelines are administrative guidelines and do not have a force of law. However, non-compliance may have practical consequences as the FIC liaises closely with other regulatory agencies in Malaysia, and the compliance with conditions imposed by FIC, if any, is normally required before other approvals from the regulatory authorities are given. For example, if a foreigner wishes to participate in government contracts or attempts to register any land purchases at the relevant land office or registry in Malaysia, FIC approval and compliance with FIC conditions would be required.

On 30 June 2009, the Prime Minister of Malaysia announced that the FIC Guidelines on acquisition of interest, mergers and takeovers have been repealed, and that the FIC will no longer process such share transactions, nor impose equity conditions on such transactions.

In the event that we shall, at any time in the future, be compelled by change of policy, laws, interpretation or regulations to comply with the FIC Guidelines, we may have to dilute our shareholding in our Malaysian subsidiary and divest the requisite shareholding percentages within the time stipulated by the FIC. In such an event, our financial performance and financial condition may be adversely affected.

RISK FACTORS

We are subject to the foreign exchange legislation and regulations in Malaysia

Local and foreign investors are subject to the Foreign Exchange Administration Rules in Malaysia. The rules are aimed to influence capital flows and facilitate currency risk management to promote financial and economic stability of Malaysia. These rules are reviewed regularly by Bank Negara Malaysia, the central bank of Malaysia, in line with the changing environment. As at the Latest Practicable Date, foreign investors are free to repatriate capital, divestment proceeds, profits, dividends, rental, fees and interests arising from investments in Malaysia. However, any future restriction on repatriation of funds may limit the ability of our Malaysian subsidiary, DM Engineering Malaysia, to distribute dividends to our Company.

RISKS RELATING TO OUR SHARES

Our Substantial Shareholders, Lim Tze Jong and KSL (or its nominee) will own approximately 51.6% and 27.8% of our post-Invitation issued share capital respectively, which will allow them to influence the outcome of matters submitted to Shareholders for approval

Upon the completion of the Invitation, we anticipate that our Substantial Shareholders, Lim Tze Jong and KSL (or its nominee) will own approximately 51.6% and 27.8% of our post-Invitation issued share capital, respectively. As a result, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any Shareholders' action or approval requiring a majority vote, except where they are required by the rules of the Listing Manual to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a takeover or change in control of our Group, which could conflict with the interests of our public Shareholders.

In addition, KSL and Lim Tze Jong had, on 15 July 2010 entered into an agreement whereby Lim Tze Jong had granted to KSL (or its nominee) a right of first refusal to purchase Lim Tze Jong's Shares in the event:-

- (a) Lim Tze Jong contemplates any transaction or action which may, directly or indirectly, reduce the percentage of Lim Tze Jong's shareholdings in our Company below thirty-one percent (31%); and
- (b) Lim Tze Jong's shareholding in our Company is below thirty-one percent (31%), any contemplated transaction or action by Lim Tze Jong which may directly or indirectly reduce Lim Tze Jong's shareholdings in our Company,

save for any *bona fide* corporate action of our Company made pursuant to Chapter 8 of the Listing Manual.

Such right of first refusal shall be over the Shares which are the subject matter of such transactions as described in (a) and (b) above.

Please refer to the sections entitled "Proposed Investment by KSL" and "Potential Conflicts of Interests" of this Prospectus for further details.

There has been no prior market for our Shares

Prior to this Invitation, there has been no public market for our Shares. There can be no assurance that an active trading market for our Shares will develop or, if developed, will be sustained, or that the market price for the Shares will not decline below the Invitation Price.

Accordingly, you may be unable to sell your Shares at or above the Invitation Price. The Invitation Price may not be indicative of the market price for our Shares after the completion of this Invitation.

RISK FACTORS

Investors in our Shares would face immediate and substantial dilution to the book value per Share and may experience future dilution

The Invitation Price of our Shares is substantially higher than the NTA per Share of approximately 11.33 cents after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation issued share capital. If we were liquidated for NTA immediately following the Invitation, each Shareholder subscribing to the Invitation would receive less than the price they paid for their Shares. Details of the immediate dilution of our Shares incurred by new investors are described under the section entitled “Dilution” of this Prospectus.

Further, if we were to raise funds in the future by way of a placement of Shares or rights issue or other equity-linked securities, and if any Shareholders are unable or unwilling to participate in such fund-raising, such Shareholders will suffer dilution in their shareholdings.

We may experience fluctuations in our operating results

We may experience fluctuations in our operating results, caused by factors such as delays in project completion and the securing of new contracts. Hence, our Group’s operating results in a particular quarter, half year or year may fluctuate in comparison to an earlier comparable period, and may not be anticipated or be within the expectations of stock market analysts or investors. This in turn could have an impact on the trading price of our Shares. The year-on-year comparison of our past operating results may not be indicative of our future financial performances.

The price of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in this Invitation

The market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:-

- (a) variations in our results of operations;
- (b) success or failure of our management team in implementing business and growth strategies;
- (c) gain or loss of an important business relationship;
- (d) changes in securities analysts’ recommendations, perceptions or estimates of our financial performance;
- (e) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (f) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Singapore;
- (g) additions or departures of key personnel;
- (h) fluctuations in stock market prices and volume; or
- (i) involvement in material litigation.

The price of our Shares may be adversely affected by any future sale of our Shares by our Company or existing Shareholders

Any future sale or availability of our Shares can have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after the Invitation, or the perception that such sales may occur, could adversely affect the market price of Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described under the section entitled “Moratorium” in this Prospectus, there are no restrictions imposed on our Substantial Shareholders to dispose of their shareholdings.

RISK FACTORS

There may be restrictions on dividend payments by our subsidiaries in future

We operate under a holding company structure, with our subsidiaries held directly or indirectly by our Company. At present, all our revenue and profit is derived from our subsidiaries. Accordingly, our level of income and ability to pay dividends depends, to a certain extent, on the amount of dividends received from these subsidiaries. The payment of dividends by these subsidiaries is, in turn dependent on, among other things, their earnings, cash flow and (where these subsidiaries derive income outside of Singapore) any applicable government restrictions on the repatriation of monies into Singapore.

Please refer to the section entitled “Exchange Controls” of this Prospectus for further details on the repatriation of monies into Singapore.

Negative publicity may adversely affect our Share price

Any negative publicity or announcement involving our Group, any of our Directors, Controlling Shareholders or key personnel may adversely affect the market perception of our Company or performance of our Share price, whether or not this is justifiable. Such negative publicity or announcement may include, *inter alia*, involvement in insolvency proceedings and failed attempts in takeovers and joint ventures.

INVITATION STATISTICS

INVITATION PRICE 35.00 cents

NTA

NTA per Share based on the unaudited consolidated balance sheet of our Group as at 30 November 2010:-

- | | |
|--|-------------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 714,285,000 Shares | 5.60 cents |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 900,285,000 Shares | 11.33 cents |

Premium of the Invitation Price over the NTA per Share:-

- | | |
|--|--------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 714,285,000 Shares | 525.0% |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 900,285,000 Shares | 208.9% |

EARNINGS

Historical net EPS based on the audited consolidated profit for the year attributable to equity holders for FY2010 and the pre-Invitation share capital of 714,285,000 Shares	3.56 cents
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Historical net EPS based on the audited consolidated profit for the year attributable to equity holders for FY2010 and the pre-Invitation share capital of 714,285,000 Shares, assuming that the Service Agreement had been in place from the beginning of FY2010	3.53 cents
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PRICE EARNINGS RATIO

Historical net PER based on the historical net EPS of our Group for FY2010 and the pre-Invitation share capital of 714,285,000 Shares	9.8 times
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Historical net PER based on the historical net EPS of our Group for FY2010 and the pre-Invitation share capital of 714,285,000 Shares, assuming that the Service Agreement had been in place from the beginning of FY2010	9.9 times
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NET OPERATING CASH FLOW⁽¹⁾

Historical net operating cash flow per Share based on the audited consolidated income statement of our Group for FY2010 and the pre-Invitation share capital of 714,285,000 Shares	4.38 cents
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Historical net operating cash flow per Share based on the audited consolidated income statement of our Group for FY2010 and the pre-Invitation share capital of 714,285,000 Shares, assuming that the Service Agreement had been in place from the beginning of FY2010	4.35 cents
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INVITATION STATISTICS

PRICE TO NET OPERATING CASH FLOW

Ratio of Invitation Price to historical net operating cash flow per Share for FY2010 based on the pre-Invitation share capital of 714,285,000 Shares 8.0 times

Ratio of Invitation Price to historical net operating cash flow per Share for FY2010 based on the pre-Invitation share capital of 714,285,000 Shares, assuming that the Service Agreement had been in place from the beginning of FY2010 8.0 times

MARKET CAPITALISATION

Market capitalisation based on the Invitation Price and our post-Invitation share capital of 900,285,000 Shares \$315.1 million

Note:-

- (1) Net operating cash flow is defined as net profit attributable to equity holders of our Company with depreciation and amortisation charges added back.

DILUTION

Dilution is the amount by which the Invitation Price to be paid by the new investors for the Invitation Shares (“**New Investors**”) exceeds our NTA per Share immediately after the Invitation.

Our NTA per Share as at 30 November 2010, before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 714,285,000 Shares, was 5.60 cents.

Based on the issue of 186,000,000 New Shares at the Invitation Price pursuant to the Invitation, our NTA per Share after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation share capital of 900,285,000 Shares, would be 11.33 cents. This represents an immediate increase in NTA per Share of 5.73 cents to our existing Shareholders and an immediate dilution in NTA per Share of 23.67 cents (or approximately 67.6%) to our New Investors. The following table illustrates such dilution on a per Share basis:-

	Cents
Invitation Price	35.00
NTA per Share as at 30 November 2010	5.60
Increase in NTA per Share attributable to existing Shareholders	5.73
NTA per Share after the Invitation ⁽¹⁾	11.33
Dilution in NTA per Share to New Investors	23.67

Note:-

- (1) The computed NTA does not take into account our actual financial performance from 1 December 2010 up to the Latest Practicable Date. Depending on our actual financial results, our NTA per Share may be higher or lower than the computed NTA.

The following table summarises the total number of Shares issued by us to our Directors and Substantial Shareholders during the period of 3 years prior to the date of this Prospectus, the total consideration paid by them and the average effective cost per Share paid by them and paid by our new investors pursuant to the Invitation:-

	Number of Shares acquired	Total consideration (\$)	Average effective cost per Share (cents)
Directors			
Lim Tze Jong	714,285,000	26,475,853	3.71
New investors	436,000,000	152,600,000	35.00

CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the “Independent Auditors’ Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010” and the “Independent Auditors’ Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010” as set out in Appendices A and B of this Prospectus respectively.

The following table shows the cash and cash equivalents as well as capitalisation and indebtedness of our Group as at 31 December 2010 based on:-

- (a) our unaudited financial statements as at 31 December 2010; and
- (b) as adjusted for the issue of New Shares pursuant to the Invitation and the application of net proceeds, after deducting estimated issue expenses incurred in connection with the Invitation.

(\$'000)	As at 31 December 2010 after adjusting for the Restructuring Exercise	As adjusted for the net proceeds from the issue of the New Shares
Cash and cash equivalents	45,447	107,447
Indebtedness		
Current		
- secured	4,632	4,632
Non-current		
- secured	14,144	14,144
Total indebtedness	18,776	18,776
Total shareholders’ equity	42,304	104,304
Total capitalisation and indebtedness	61,080	123,080

As at the Latest Practicable Date, our total credit facilities (utilised and unutilised) were as follows:-

	Facilities granted (\$'000)	Utilised (\$'000)	Unutilised (\$'000)	Interest rates	Maturity profile
Term loans	18,399	17,888	–	4.0% to 8.5%	Monthly instalments over 36 to 180 months
Short term revolving credit facilities	6,000	–	6,000	By quotation ⁽¹⁾	Revolving
Performance bond / banker’s guarantee ⁽³⁾	16,590	16,590	–	0.125%	Not applicable
Hire purchase	727	661	–	3.8% to 7.3%	Monthly instalments over 24 to 84 months
Corporate credit card	150	150	–	Not applicable ⁽²⁾	Revolving
Total	41,866	35,289	6,000		

Notes:-

- (1) Based on the bank’s cost of funds.
- (2) Outstanding amounts not paid within the monthly payment cycle on the corporate credit card are charged an interest of up to 24% of the outstanding amount.

CAPITALISATION AND INDEBTEDNESS

- (3) Our Group's performance bonds/bankers' guarantees are issued to our customers under the terms of the contracts. Typically a performance bond/bankers' guarantee equivalent to 10% of the contract value will be issued to the customer after the signing of the contract. After the completion of the project and load-out, the value of the performance bond/bankers' guarantee will be reduced to 5% of the contract value and will continue to be valid for the warranty period. Thereafter the performance bond/bankers' guarantee will be cancelled.

To the best of our Directors' knowledge, we are not in breach of any terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our Shareholders.

The above credit facilities are secured by one or several of (i) short term bank deposits, (ii) mortgages over our Group's leasehold and freehold properties, and (iii) corporate guarantees provided by our Company, DM Marine and DM Engineering Singapore. Please refer the section entitled "Interested Person Transactions" of this Prospectus for further details.

CONTINGENT LIABILITIES

As at Latest Practicable Date, save as disclosed in the section entitled "Litigation" of this Prospectus, we do not have any contingent liabilities.

Save as disclosed in this Prospectus, our Group has no other borrowings or indebtedness (direct and indirectly) or liabilities (including contingent liabilities) as at the Latest Practicable Date.

Save as disclosed in this Prospectus, since 30 November 2010 and up to the Latest Practicable Date, there were no material changes in our total capitalisation and indebtedness except for changes in our retained earnings arising from the day-to-day operations in the ordinary course of our business.

Our Directors are of the opinion that, after taking into account our present credit facilities, cash and cash equivalents, and net cash to be generated from our operating activities, our Group has adequate working capital for our present requirements.

DIVIDEND POLICY

Our Group has paid dividends of \$12.5 million, \$6.4 million and \$22.0 million in FY2008, FY2009 and FY2010 respectively. Save as disclosed above, our Group had not paid any other dividends during the Periods Under Review.

We currently do not have a formal dividend policy. We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Directors. The declarations and payment of dividends will be determined at the sole discretion of our Directors subject to the approval of our Shareholders.

Our Directors may also declare an interim dividend without the approval of our Shareholders. We must pay all dividends in accordance with the Companies Act and applicable accounting standards.

In making their recommendations, our Directors will consider the factors outlined below as well as any other factors deemed relevant by our Board:-

- (a) the level of our cash and retained earnings;
- (b) our actual and projected financial performance;
- (c) our projected levels of capital expenditure and other investment plans;
- (d) restrictions on payment of dividends imposed on us by our financing arrangements (if any); and
- (e) dividend yield of comparable companies (if any) listed in Singapore.

No inference should or can be made from any of the foregoing statements as to our actual profitability or our ability to pay dividends in the future.

Information relating to taxes payable on dividends is set out in Appendix C - "Taxation" of this Prospectus.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of our Group should be read in conjunction with the full text of this Prospectus, including the "Independent Auditors' Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010" and the "Independent Auditors' Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010" as set out in Appendices A and B of this Prospectus respectively.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾

(\$'000)	← Audited →			← Unaudited →	
	FY2008	Consolidated FY2009	FY2010	HY2010	Consolidated HY2011
Revenue	210,909	120,857	218,541	124,585	83,686
Cost of sales	(169,619)	(92,901)	(167,758)	(101,385)	(62,954)
Gross profit	41,290	27,956	50,783	23,200	20,732
Other income	2,583	1,948	2,460	1,252	441
Administrative expenses	(16,891)	(18,448)	(20,323)	(8,100)	(8,621)
Finance expenses	(564)	(569)	(766)	(326)	(407)
Share of loss of an associated company	—	—	(46)	(25)	(28)
Profit before income tax	26,418	10,887	32,108	16,001	12,117
Income tax expense	(4,739)	(2,806)	(6,657)	(2,903)	(2,056)
Net profit	21,679	8,081	25,451	13,098	10,061
Other comprehensive income, net of tax					
Currency translation differences arising from consolidation	(86)	(38)	20	(18)	(36)
Total comprehensive income	21,593	8,043	25,471	13,080	10,025
Profit attributable to:-					
Equity holders of the Company	21,679	8,083	25,452	13,098	10,061
Non-controlling interests	—	(2)	(1)	— ⁽⁴⁾	— ⁽⁴⁾
	21,679	8,081	25,451	13,098	10,061
Pre-Invitation EPS (cents)⁽²⁾	3.04	1.13	3.56	1.83	1.41
Post-Invitation EPS (cents)⁽³⁾	2.41	0.90	2.83	1.45	1.12

Notes:-

- (1) The consolidated operating results of our Group for the Periods Under Review have been prepared on the basis that our Group has been in existence throughout the Periods Under Review.
- (2) For comparative purposes, the pre-Invitation EPS for the Periods Under Review have been computed based on the profit attributable to equity holders of the Company and the pre-Invitation share capital of 714,285,000 Shares.
- (3) For comparative purposes, the post-Invitation EPS for the Periods Under Review have been computed based on the profit attributable to equity holders of the Company and the post-Invitation share capital of 900,285,000 Shares.
- (4) Less than \$1,000.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET OF OUR GROUP

(\$'000)	Audited Consolidated As at 31 May 2010	Unaudited Consolidated As at 30 November 2010
ASSETS		
Current assets:-		
Cash and cash equivalents	33,246	33,382
Trade and other receivables	52,882	46,792
Construction contract work-in-progress	— ⁽²⁾	—
Inventories	2,688	2,131
Other current assets	2,151	2,422
	90,967	84,727
Non-current assets:-		
Club memberships	77	77
Investment properties	9,916	10,270
Investments in an associated company	81	64
Property, plant and equipment	63,689	60,829
	73,763	71,240
TOTAL ASSETS	164,730	155,967
LIABILITIES		
Current liabilities:-		
Trade and other payables	102,696	85,776
Current income tax liabilities	5,034	5,308
Borrowings	4,632	4,640
	112,362	95,724
Non-current liabilities:-		
Borrowings	16,636	14,486
Deferred income tax liabilities	5,741	5,741
	22,377	20,227
TOTAL LIABILITIES	134,739	115,951
NET ASSETS	29,991	40,016
EQUITY		
Capital and reserves attributable to equity holders of the Company:-		
Share capital	26,476	26,476
Retained profits	3,515	13,576
Foreign currency translation reserve	(42)	(78)
	29,949	39,974
Non-controlling interests	42	42
	29,991	40,016
NTA per share (cents) ⁽¹⁾	4.19	5.60

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Notes:-

- (1) The NTA per share as at 31 May 2010 and 30 November 2010 have been computed based on our shareholders' equity (excluding non-controlling interests) and our pre-Invitation share capital of 714,285,000 Shares.
- (2) Less than \$1,000.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion of our results of operations and financial position should be read in conjunction with the “Independent Auditors’ Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010” and the “Independent Auditors’ Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010” as set out in Appendices A and B of this Prospectus respectively. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in the section entitled “Risk Factors” of this Prospectus. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Issue Manager, the Joint Underwriters or the Joint Placement Agents or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled “Cautionary Note Regarding Forward-Looking Statements” of this Prospectus.

OVERVIEW

We are a multi-disciplinary specialist provider of detailed engineering, procurement and construction services to the offshore oil and gas, marine construction and other industries.

Our principal business activities are the fabrication and assembly of topside modules for FPSO and FSO in Singapore. From time to time, we may also undertake ad hoc general engineering and fabrication projects for specialised structures for semi-submersibles and sub-seas products such as manifolds and buoys as well as heavy steel or mechanical structures (including material handling equipment), process piping and tanks for various types of petrochemical and pharmaceutical plants and any other modular construction.

Our customers include major engineering companies, owners and/or operators of FPSOs, FSOs and semi-submersibles which serve the oil and gas companies. Our customers are located mainly in Asia Pacific, Europe and USA.

Revenue

We derive our revenue mainly from the following business segments:-

(i) Module Business

Revenue from this business segment accounted for approximately 51.2%, 89.1%, 98.0% and more than 99.9% of our revenue for FY2008, FY2009, FY2010 and HY2011 respectively.

(ii) Ad Hoc Projects

Revenue from Ad Hoc Projects accounted for approximately 48.8%, 10.9%, 2.0% and less than 0.1% of our revenue for FY2008, FY2009, FY2010 and HY2011 respectively. Ad Hoc Projects’ contribution to our revenue was relatively higher in FY2008 due mainly to revenue contribution from Ad Hoc Projects (Hull of FPU) in relation to a one-off project for the construction of the hull of a semi-submersible. Please refer to the section entitled “Review of Past Performance by Business Segments” for a breakdown of revenue by Ad Hoc Projects (Hull of FPU) and Ad Hoc Projects (Other Services).

Our revenue is recognised based on the percentage of completion method in proportion to the stage of completion, provided that the outcome of such work can be reliably estimated. When the outcome of the work cannot be estimated reliably, revenue is recognised only 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

The percentage of completion is assessed by reference to the completion of a physical proportion of contract work, or by reference to the percentage of costs incurred to-date to the estimated total costs for each contract, with due consideration made to include only those costs that reflect actual work performed. Costs incurred during the financial year in connection with future activity on a contract are excluded from 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 customers, in which case, such costs are recognised as an expense immediately.

The main factors affecting our revenue include the following:-

- (i) level of investments in the industries in which our customers operate;
- (ii) our ability to secure new projects;
- (iii) the number and value of projects secured by us;
- (iv) our ability to claim for variation orders; and
- (v) fluctuation in foreign exchange rates.

Please refer to the sections entitled "Risk Factors" and "Trends and Order Book" of this Prospectus for further information on the above factors and other factors that may affect our revenue.

Cost of Sales

Our cost of sales comprises mainly (i) cost of materials; (ii) sub-contractors' charges, (iii) direct overheads; and (iv) rental of workshops and sites. Cost of sales constituted approximately 80.4%, 76.9%, 76.8% and 75.2% of our revenue for FY2008, FY2009, FY2010 and HY2011 respectively.

A breakdown for our cost of sales for the Periods Under Review is as follows:-

	← FY2008 →		← FY2009 →		← FY2010 →		← HY2010 →		← HY2011 →	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Materials	40,769	24.0	29,961	32.3	58,889	35.1	35,749	35.3	7,941	12.6
Sub-contractors' charges	97,344	57.4	48,492	52.2	80,809	48.2	51,074	50.4	40,826	64.9
Direct overheads	27,236	16.1	11,250	12.1	25,012	14.9	13,226	13.0	12,603	20.0
Rental of workshops and sites	4,270	2.5	3,198	3.4	3,048	1.8	1,336	1.3	1,584	2.5
	169,619	100.0	92,901	100.0	167,758	100.0	101,385	100.0	62,954	100.0

The main component of our cost of sales is the cost of materials and sub-contractors' charges which in aggregate accounted for 81.4%, 84.5%, 83.3% and 77.5% of our cost of sales for FY2008, FY2009, FY2010 and HY2011 respectively. Our main raw material used in our production is steel which comprises mainly super-duplex steel, mild steel, carbon steel and stainless steel. Our sub-contractors' charges relate to supply of labor mainly for fabrication, piping, painting and blasting, scaffolding, mechanical and electrical fittings and testing.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Direct overheads comprise mainly cost of direct labour, depreciation charges, utilities and rental of mobile cranes. Cost of direct labour includes salaries of our in-house workers, foremen, site engineers and project managers of our production department. Direct overheads accounted for approximately 16.1%, 12.1%, 14.9% and 20.0% of our total cost of sales for FY2008, FY2009, FY2010 and HY2011 respectively.

Rental of workshops and sites include rental payable to JTC Corporation for our Main Yard located at Gul Road and short term rental of yard space to augment our production capacity. This accounted for less than 3.5% of our total cost of sales for the Periods Under Review.

The main factors affecting our cost of sales include the following:-

- (i) fluctuation in steel and other raw material prices;
- (ii) our ability to negotiate for lower charges from our sub-contractors for part of our manufacturing works such as fabrication, piping, painting and blasting, scaffolding, mechanical and electrical fittings and testing;
- (iii) our costs of recruiting, training and retaining employees and workers as there is a limited supply of adequately skilled project managers, engineers and tradesmen in our industry; and
- (iv) disputes on claims for variation orders.

Please refer to the sections entitled "Risk Factors" and "Trends and Order Book" of this Prospectus for further information on the above factors and other factors that may affect our cost of sales.

Other income

Other income comprises mainly fair value gain on investment properties, interest income, rental income (rental of warehouse and office space, containers and dormitory to sub-contractors), government grants under the Jobs Credit Scheme and foreign exchange gain. The Jobs Credit Scheme is a cash grant introduced in the Singapore Budget 2009 to help businesses preserve jobs in the economic downturn. The scheme expired in June 2010.

Administrative expenses

Administrative expenses comprise mainly depreciation and impairment expenses, entertainment and refreshment expenses, legal and professional expenses, transportation and travelling expenses, repair and maintenance expenses, employee compensation and other miscellaneous expenses which include insurance, advertisement, property tax, telephone and telefax costs. Our administrative expenses were 8.0%, 15.3%, 9.3% and 10.3% of revenue in FY2008, FY2009, FY2010 and HY2011 respectively.

Finance expenses

Our finance expenses are mainly interest expenses on bank borrowings and finance lease liabilities and were less than 0.5% of our revenue for the Periods Under Review.

Income tax expense

Income tax expense includes both current income tax expenses as well as deferred income tax expenses. Companies in our Group are taxed in accordance with the prevailing tax regulation of the countries they operate in. Our subsidiaries in Singapore were subject to a corporate tax rate of 18.0% for FY2008, 17.0% for FY2009, FY2010 and HY2011. Our subsidiary in Malaysia has a paid-up capital of less than RM2.5 million. Under the then prevailing Income Tax Law of Malaysia, the first RM500,000 of chargeable income is taxed at 20.0%, with the balance being taxed at 26.0% for both FY2008 and FY2009. For FY2010 and HY2011, the applicable tax rate is 25.0%.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our Group's overall effective tax rates for the Periods Under Review were as follows:-

	FY2008	FY2009	FY2010	HY2011
Income tax expense (\$'000)	4,739	2,806	6,657	2,056
PBT (\$'000)	26,418	10,887	32,108	12,117
Effective tax rate	17.9%	25.8%	20.7%	17.0%

Our effective tax rate in FY2009 was higher than the statutory tax rate due mainly to certain expenses not being deductible for tax purposes in the year of assessment. In FY2010, our effective tax rate was higher than the statutory tax rate due mainly to additional tax assessment in respect of prior years' income.

Inflation

For the Periods Under Review, the performance of our Group has not been materially impacted by inflation.

Changes in Accounting Policies

Our accounting policies have been consistently applied by the Group for the Periods Under Review.

REVIEW OF OPERATING RESULTS

For the purpose of discussion, we have segmented our revenue and gross profit by business segments for the Periods Under Review. Our revenue by geographical segments is based on the countries in which our customers are located. The following review of past performance should be read in conjunction with the "Independent Auditors' Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010" and the "Independent Auditors' Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010" and the related notes set out in Appendices A and B of this Prospectus respectively.

Review of Past Performance by Business Segments

The breakdown of our revenue and gross profit by business segments are as follows:-

Revenue

	← FY2008 →		← FY2009 →		← FY2010 →		← HY2010 →		← HY2011 →	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Module Business	108,075	51.2	107,655	89.1	214,061	98.0	121,987	97.9	83,665	100.0
Ad Hoc Projects										
Hull of FPU	88,081	41.8	3,793	3.1	-	-	-	-	-	-
Other services	14,753	7.0	9,409	7.8	4,480	2.0	2,598	2.1	21	-(1)
	210,909	100.0	120,857	100.0	218,541	100.0	124,585	100.0	83,686	100.0

Note:-

(1) Less than 0.1%

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Gross Profit

	← FY2008 →		← FY2009 →		← FY2010 →		← HY2010 →		← HY2011 →	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Module Business	25,248	61.1	22,663	81.1	48,221	95.0	22,195	95.7	20,724	100.0
Ad Hoc Projects										
Hull of FPU	10,511	25.5	2,433	8.7	–	–	–	–	–	–
Other services	5,531	13.4	2,860	10.2	2,562	5.0	1,005	4.3	8	– ⁽¹⁾
	41,290	100.0	27,956	100.0	50,783	100.0	23,200	100.0	20,732	100.0

Note:-

(1) Less than 0.1%

Gross Profit Margin

	FY2008	FY2009	FY2010	HY2010	HY2011
Module Business	23.4%	21.1%	22.5%	18.2%	24.8%
Ad Hoc Projects					
Hull of FPU	11.9%	64.1%	–	–	–
Other services	37.5%	30.4%	57.2%	38.7%	38.1%
Average	19.6%	23.1%	23.2%	18.6%	24.8%

Review of Past Performance by Geographical Segments

Revenue

	← FY2008 →		← FY2009 →		← FY2010 →		← HY2010 →		← HY2011 →	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Asia Pacific	9,976	4.7	20,462	16.9	122,299	56.0	64,725	51.9	55,809	66.7
Europe	112,852	53.5	91,788	75.9	91,020	41.6	57,660	46.3	27,877	33.3
USA	88,081	41.8	8,607	7.2	5,222	2.4	2,200	1.8	–	–
	210,909	100.0	120,857	100.0	218,541	100.0	124,585	100.0	83,686	100.0

FY2008 vs FY2009

Revenue

Revenue decreased by \$90.0 million or 42.7% from \$210.9 million in FY2008 to \$120.9 million in FY2009 due mainly to the completion of an Ad-Hoc Project (Hull of FPU) in FY2008.

Our revenue from Module Business decreased marginally by \$0.4 million or 0.4% from \$108.1 million in FY2008 to \$107.7 million in FY2009. Existing projects contributed approximately \$29.3 million to our revenue while new projects contributed approximately \$78.4 million. The first nine months of FY2009 (from June 2008 to February 2009) was generally a period of declining oil prices. With oil price declining from more than US\$140 per barrel in July 2008 to less than US\$40 per barrel in February 2009, the level of activities in the oil and gas declined in tandem and most of our customers postponed substantial capital expenditures in view of the uncertainties in the outlook for the oil and gas industry. During this period, we focused our marketing efforts on securing more projects with smaller contract value of generally less than \$20 million. As such, our revenue from new projects in FY2009 were mostly

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attributable to these smaller projects as most of them were completed within the financial year. With the recovery in oil prices in March 2009 and a corresponding pick up in the level of activities in the oil and gas industry and investments by our customers, we managed to secure several projects with larger contract value of more than \$20 million. However, as these more sizeable projects only commenced towards the end of FY2009, they do not contribute significantly to our revenue in FY2009. New projects awarded by customers in Europe contributed approximately \$62.4 million to our revenue. New projects awarded by customers in Asia Pacific and USA contributed approximately \$11.2 million and \$4.8 million to our revenue respectively.

Our revenue from Ad Hoc Projects (Hull of FPU) decreased by \$84.3 million or 95.7% from \$88.1 million in FY2008 to \$3.8 million in FY2009, due to the substantial completion of a project in FY2008 for the fabrication of the hull of an FPU (Thunderhawk FPU-5500). Our revenue from Ad Hoc Project (Hull of FPU) for FY2009 comprised the balance portion of the contract value from this project and variation orders for repair services requested by the customer.

Our revenue from Ad Hoc Projects (Other Services) decreased by \$5.4 million or 36.2% from \$14.8 million in FY2008 to \$9.4 million in FY2009 in line with the general decline in business activities as a result of difficult economic conditions. Our revenue from Ad Hoc Projects (Other Services) in FY2009 was mainly for fabrication of skids and gas pipeline as well as repair of Jack-up rigs.

Cost of Sales and Gross Profit

Our cost of sales decreased by \$76.7 million or 45.2% from \$169.6 million in FY2008 to \$92.9 million in FY2009 in line with the decrease in revenue of the Group. Cost of materials, sub-contractors' charges, direct overheads and rental of workshops and sites decreased by \$10.8 million, \$48.8 million, \$16.0 million and \$1.1 million respectively.

Our gross profit decreased by \$13.3 million or 32.3% from \$41.3 million in FY2008 to \$28.0 million in FY2009 due mainly to the decrease in revenue. Our gross profit margin improved from 19.6% in FY2008 to 23.1% in FY2009 due mainly to higher gross profit margins of Ad Hoc Projects (Hull of FPU) which was partially offset by the decrease in gross profit margin of Module Business and Ad Hoc Projects (Other Services). Our gross profit margin for the Ad Hoc Projects (Hull of FPU) business segment increased as our revenue from this business segment in FY2009 was mainly for repair services for the hull of a semi-submersible FPU which had higher gross profit margin. The decrease in gross profit margin of Module Business and Ad Hoc Projects (Other Services) was in keeping with our strategy of securing projects by offering competitive pricing.

Other Income

Other income decreased by \$0.7 million or 24.6% from \$2.6 million in FY2008 to \$1.9 million in FY2009. This was mainly due to a decrease in fair value gain on investment properties of \$0.6 million, a decrease in interest income from bank deposits of \$0.3 million and a decrease in rental income of \$0.1 million, partially offset by an increase in net foreign exchange gain of \$0.4 million and the receipt of government grant under the Job Credit Scheme of \$0.1 million.

Administrative Expenses

Our administrative expenses increased by \$1.5 million or 9.2% from \$16.9 million in FY2008 to \$18.4 million in FY2009. The increase in administrative expenses was mainly due to an increase in employee compensation expenses of \$2.6 million due mainly to the increase in salaries, wages and bonuses of the Group's employees and an increase in repair and maintenance expenses of \$0.6 million. Employee related expenses increased as we had expanded our staff strength in the first six months of FY2009 in anticipation of several projects. However, these projects were subsequently postponed due to the financial crisis which led to a decline in oil prices.

The increase in the above expenses was partially offset by:-

- (i) decrease in depreciation and impairment expenses of \$0.2 million;

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- (ii) decrease in entertainment and refreshment expenses of \$0.9 million;
- (iii) decrease in legal and professional expenses of \$0.4 million;
- (iv) decrease in transportation and travelling expenses of \$0.4 million; and
- (v) decrease in miscellaneous expenses of \$0.3 million.

Finance Expenses

Finance expenses was \$0.6 million for each of FY2008 and FY2009 and were mainly interest expenses for our term loans.

Profit Before Income Tax

Our profit before income tax decreased by \$15.5 million or 58.8% from \$26.4 million in FY2008 to \$10.9 million in FY2009 due mainly to the decrease in revenue, lower other income and higher administrative expenses.

FY2009 vs FY2010

Revenue

Revenue increased by \$97.6 million or 80.8% from \$120.9 million in FY2009 to \$218.5 million in FY2010 due to the increase in revenue from Module Business, partially offset by a decrease in revenue from Ad Hoc Projects (Hull of FPU) and Ad Hoc Projects (Other Services).

Our revenue from Modules Business increased by \$106.4 million or 98.8% from \$107.7 million in FY2009 to \$214.1 million in FY2010 due mainly to the substantial completion of several existing projects of larger contract value which commenced in the later part of FY2009. Existing projects contributed approximately \$208.7 million to our revenue while new projects contributed approximately \$5.4 million to revenue. As most of the sizeable projects were awarded by customers in Asia Pacific and Europe, revenue from these two geographical segments accounted for more than 95% of our revenue in FY2010.

We did not have any revenue from the Ad Hoc Projects (Hull of FPU) in FY2010 after the completion of the hull of the "Thunderhawk FPU-5500" in FY2009.

Our revenue from Ad Hoc Projects (Other Services) decreased by \$4.9 million or 52.4% from \$9.4 million in FY2009 to \$4.5 million in FY2010 due to the substantial completion of existing jobs. We did not undertake new projects as capacity was diverted to support the Module Business, which were operating at near full capacity.

Cost of Sales and Gross Profit

Our cost of sales increased by \$74.9 million or 80.6% from \$92.9 million in FY2009 to \$167.8 million in FY2010 in line with the increase in revenue. Cost of materials, sub-contractors' charges, direct overheads increased by \$28.9 million, \$32.3 million, \$13.8 million respectively. The increase was partially offset by a decrease in rental of workshops and sites of \$0.2 million due mainly to a decrease in the rent for the yard space we leased from JTC.

Our gross profit increased by \$22.8 million or 81.7% from \$28.0 million in FY2009 to \$50.8 million in FY2010 due to an increase in revenue. Our overall gross profit margin remained relatively stable at 23.1% in FY2009 and 23.2% in FY2010 with improved gross profit margins for both the Module Business and the Ad Hoc Projects (Other Services) segments. Our gross profit margin for the Module Business improved slightly from 21.1% in FY2009 to 22.5% in FY2010 due to revenue contribution from the substantial completion of some of the projects which had higher gross profit margins. Our gross profit margin for the Ad Hoc Projects (Other Services) improved from 30.4% in FY2009 to 57.2% in FY2010 as most of the work we undertook were for projects which had higher content of labour services and generally higher gross profit margins.

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Other Income

Other income increased by \$0.6 million or 26.3% from \$1.9 million in FY2009 to \$2.5 million in FY2010. This was mainly due to receipt of government grant under the Job Credit Scheme of \$0.4 million.

Administrative Expenses

Our administrative expenses increased by \$1.9 million or 10.2% from \$18.4 million in FY2009 to \$20.3 million in FY2010. The increase in administrative expenses was mainly due to an increase in depreciation and impairment expenses of \$1.1 million, increase in transportation and travelling expenses of \$0.3 million, increase in employee compensation expenses of \$1.4 million due mainly to the increase in salaries, wages and bonuses of the Group's employees and an increase in other miscellaneous expenses of \$0.3 million, partially offset by a decrease in legal and professional expenses of \$1.2 million. The increase in depreciation and impairment expenses was a result of a provision of \$1.4 million in respect of an amount owing by a sub-contractor namely Swanlin Asia Pte. Ltd.. Please refer to the section entitled "General and Statutory Information" of this Prospectus for further details of our claims against the sub-contractor.

Finance Expenses

Finance expenses increased by \$0.2 million or 34.6% from \$0.6 million in FY2009 to \$0.8 million in FY2010 due mainly to an increase in bank borrowings to finance the acquisition of the lease of the property at 13 Pandan Crescent to cater to our business expansion.

Profit Before Income Tax

Our profit before income tax increased by \$21.2 million or 194.9% from \$10.9 million in FY2009 to \$32.1 million in FY2010 due mainly to increase in revenue, higher average gross margin and higher other income, partly offset by higher administrative expenses and higher finance expenses.

HY2010 vs HY2011

Revenue

Revenue decreased by \$40.9 million or 32.8% from \$124.6 million in HY2010 to \$83.7 million in HY2011 due mainly to the decrease in revenue from the Module Business.

Our revenue from Module Business decreased by \$38.3 million or 31.4% from \$122.0 million in HY2010 to \$83.7 million in HY2011 as activities in the oil and gas industry was affected by the oil spill in the Gulf of Mexico. In view of the moratorium on drilling activities in the Gulf of Mexico in the wake of the oil spill, oil majors had postponed substantial capital expenditures and consequently the award of projects by some of our customers were delayed. Existing projects contributed approximately \$61.0 million to our revenue while new projects contributed approximately \$22.7 million. New projects awarded by customers in Europe and Asia Pacific contributed approximately \$16.9 million and \$5.8 million to our revenue in HY2011 respectively.

We did not have any revenue from the Ad Hoc Projects (Hull of FPU) in HY2010 and HY2011 after the completion of the hull of the "Thunderhawk FPU-5500" in FY2009.

Our revenue from Ad Hoc Projects (Other Services) in HY2011 was insignificant compared to our revenue in HY2010 as we did not secure any new projects for this business segment.

Cost of Sales and Gross Profit

Our cost of sales decreased by \$38.4 million or 37.9% from \$101.4 million in HY2010 to \$63.0 million in HY2011 in line with the decrease in revenue of the Group. Cost of materials, sub-contractors' charges and direct overheads decreased by \$27.8 million, \$10.2 million, \$0.6 million respectively, while rental of workshops and sites increased by \$0.2 million due mainly to expansion of our yard space with the lease of an additional property at 13 Pandan Crescent.

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Our gross profit decreased by \$2.5 million or 10.6% from \$23.2 million in HY2010 to \$20.7 million in HY2011 due mainly to the decrease in revenue. Our gross profit margin improved from 18.6% in HY2010 to 24.8% in HY2011 with improved gross profit margins for both the Module Business and Ad Hoc Projects (Other Services).

Our gross profit margin for the Module Business increased from 18.2% in HY2010 to 24.8% in HY2011 as revenue from this business segment in HY2011 included revenue from variation orders in respect of a project which was substantially completed in FY2010. Notwithstanding that work for those variation orders had been completed in FY2010, FRS11 does not allow for the revenue to be recognised then as the value of the variation orders was still pending finalisation with the customer. The value of the variation orders was finalised in November 2010 and as such the revenue in respect of those variation orders was only recognised in HY2011. The costs incurred in relation to the variation orders were, however, fully accounted for in FY2010 in accordance with FRS11.

Our gross profit margin for Ad Hoc Projects (Other Services) was relatively stable at 38.7% and 38.1% for HY2010 and HY2011 respectively as most of the work we undertook was for projects which had higher content of labour services and generally higher gross profit margins.

Other Income

Other income decreased by \$0.9 million or 64.8% from \$1.3 million in HY2010 to \$0.4 million in HY2011 mainly due to a decrease in receipt of government grant under the Job Credit Scheme of \$0.2 million and a decrease in rental income of \$0.6 million.

Administrative Expenses

Our administrative expenses increased by \$0.5 million or 6.4% from \$8.1 million in HY2010 to \$8.6 million in HY2011. The increase in administrative expenses was mainly due to an increase in employee compensation expenses of \$0.4 million, an increase in depreciation expenses of \$0.1 million and an increase in other miscellaneous expenses of \$0.3 million, partially offset by a decrease in entertainment and refreshment expenses of \$0.1 million and a decrease in repair and maintenance expenses of \$0.1 million.

Finance Expenses

Finance expenses increased by \$0.1 million or 24.8% from \$0.3 million in HY2010 to \$0.4 million in HY2011 due mainly to an increase in bank borrowings to finance the acquisition of the lease of a property at 13 Pandan Crescent to cater to our business expansion.

Profit Before Income Tax

Our profit before income tax decreased by \$3.9 million or 24.3% from \$16.0 million in HY2010 to \$12.1 million in HY2011 due mainly to the decrease in revenue, lower other income and higher administrative expenses.

REVIEW OF FINANCIAL POSITION

Non-Current Assets

Our non-current assets comprise club memberships, investment properties, investment in an associated company as well as property, plant and equipment.

As at 31 May 2010, the net book value of our non-current assets amounted to \$73.8 million or 44.8% of our total assets of which \$0.1 million was club membership, \$9.9 million was investment properties, \$0.1 million was investment in an associated company, Eminent Offshore & Heavy Engineering Sdn Bhd, and \$63.7 million was property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

As at 30 November 2010, the net book value of our non-current assets amounted to \$71.2 million or 45.7% of our total assets of which \$0.1 million was club membership, \$10.3 million was investment properties, \$0.1 million was investment in an associated company, Eminent Offshore & Heavy Engineering Sdn Bhd, and \$60.8 million was property, plant and equipment.

Current Assets

Our current assets comprise cash and cash equivalents, trade and other receivables, construction contract work-in-progress, inventories as well as other current assets. As at 31 May 2010, current assets amounted to \$91.0 million and accounted for 55.2% of our total assets. As at 30 November 2010, current assets amounted to \$84.7 million and accounted for 54.3% of our total assets.

Cash and cash equivalents amounted to \$33.2 million and \$33.4 million as at 31 May 2010 and 30 November 2010 respectively, and accounted for 36.5% and 39.4% of our current assets as at the respective balance sheet dates. Cash and cash equivalents comprise cash at bank and on hand as well as short-term bank deposits. Cash at bank and on hand amounted to \$13.3 million and short-term bank deposits amounted to \$19.9 million as at 31 May 2010. Cash at bank and on hand amounted to \$13.4 million and short-term bank deposits amounted to \$20.0 million as at 30 November 2010. Approximately \$18.0 million of the short-term deposits as at 30 November 2010 were pledged as security for certain banking facilities granted to us.

Trade and other receivables amounted to \$52.9 million and \$46.8 million as at 31 May 2010 and 30 November 2010 respectively, and accounted for 58.1% and 55.2% of our current assets as at the respective balance sheet dates. Trade receivables amounted to \$24.9 million and other receivables (relating mainly to construction contracts due from customers) amounted to \$28.0 million as at 31 May 2010. Our trade receivables turnover for FY2010 was 42 days which was within the credit terms given to our customers. Trade receivables amounted to \$28.5 million and other receivables (relating mainly to construction contracts due from customers) amounted to \$18.3 million as at 30 November 2010. Our trade receivables turnover for HY2011 was 62 days. We had completed several projects in HY2011 and were negotiating with customers on the amount to be billed for certain variation orders. Customers had requested for longer repayment period for outstanding invoices which were previously billed pending the finalisation of the additional amounts to be billed for the variation orders thus resulting in higher trade receivables turnover for HY2011. As at the Latest Practicable Date, approximately 99.9% of the trade receivables outstanding as at 30 November 2010 had been collected.

The amount of contract work-in-progress as at 31 May 2010 was less than \$1,000 and was insignificant.

Inventories amounted to \$2.7 million and \$2.1 million as at 31 May 2010 and 30 November 2010 respectively, and accounted for 3.0% and 2.5% of our current assets as at the respective balance sheet dates. Inventories comprise mainly steel and other raw materials. We typically do not maintain a high level of inventories as the materials we require are procured and delivered according to project schedules.

Other current assets amounted to \$2.2 million and \$2.4 million as at 31 May 2010 and 30 November 2010 respectively, and accounted for 2.4% and 2.9% of our current assets as at the respective balance sheet dates. Other current assets comprise deposits and prepayments to our suppliers and sub-contractors as well as prepaid professional fees in connection with the Invitation.

Current Liabilities

Our current liabilities comprise trade and other payables, income tax liabilities as well as bank borrowings. Our current liabilities amounted to \$112.4 million and \$95.7 million as at 31 May 2010 and 30 November 2010 respectively, and accounted for 83.4% and 82.6% of total liabilities as at the respective balance sheet dates.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Trade and other payables amounted to \$102.7 million and \$85.8 million as at 31 May 2010 and 30 November 2010 respectively, and accounted for 91.4% and 89.6% of current liabilities as at the respective balance sheet dates. Our trade payables comprise amounts payable to suppliers for purchases of materials and supply of sub-contracting services, and accrued project costs (mainly costs relating to sub-contracting services). The amount of accrual for each project is determined by reference to the amount of revenue recognised to-date from the respective projects. The accrued project costs represent the costs that should reasonably be incurred over and above those already invoiced by suppliers and sub-contractors. When these costs are eventually incurred and invoices are received from suppliers or sub-contractors, the invoiced amount will be debited from accrued project costs and a corresponding amount will be credited to trade payable to suppliers and sub-contractors. As such, the amount of accrued project costs does not represent amounts immediately due and payable to suppliers and sub-contractors. Trade payables amounted to \$77.5 million (comprising amounts payable to suppliers of \$20.4 million and accrued project costs of \$57.1 million) and other payables (comprising mainly dividends payable of \$13.4 million, advances received from customers of \$4.4 million, accrual for staff bonus of \$2.5 million and accrued operating expenses of \$2.9 million) amounted to \$25.2 million as at 31 May 2010. Trade payables amounted to \$72.9 million (comprising amounts payable to suppliers of \$23.4 million and accrued project costs of \$49.5 million) and other payables (comprising mainly dividends payable of \$4.7 million, advances received from customers and construction contracts due to customers of \$4.5 million as well as accrued operating expenses of \$1.7 million) amounted to \$12.9 million as at 30 November 2010.

Income tax liabilities amounted to \$5.0 million and \$5.3 million as at 31 May 2010 and 30 November 2010 respectively, and accounted for 4.5% and 5.5% of current liabilities as at the respective balance sheet dates.

Borrowings amounted to \$4.6 million as at 31 May 2010 and 30 November 2010 and accounted for 4.1% and 4.8% of current liabilities as at the respective balance sheet dates. Borrowings comprise term loans and finance lease liabilities. The term loans were taken up to finance the acquisition of our freehold and leasehold properties. Term loans are secured by mortgages over our freehold and leasehold properties, corporate guarantees of DM Marine and DM Engineering Singapore as well as fixed deposits of our Group. Finance lease liabilities are secured by the rights to the leased site equipment and tools as well as motor vehicles.

Non-Current Liabilities

Our non-current liabilities comprise borrowings and deferred income tax liabilities. Our non-current liabilities amounted to \$22.4 million and \$20.2 million as at 31 May 2010 and 30 November 2010 respectively, and accounted for 16.6% and 17.4% of total liabilities as at the respective balance sheet dates.

Borrowings amounted to \$16.6 million and \$14.5 million as at 31 May 2010 and 30 November 2010 respectively, and accounted for 74.3% and 71.6% of non-current liabilities as at the respective balance sheet dates. Borrowings comprise term loans as well as finance lease liabilities. The term loans were taken up mainly to finance the acquisition of our freehold and leasehold properties. Term loans are secured by legal mortgages over our freehold and leasehold properties, corporate guarantees of DM Marine and DM Engineering Singapore as well as our fixed deposits. Finance lease liabilities of our Group are secured by the rights to the leased site equipment and tools as well as motor vehicles, which will revert to the lessor in the event of default by our Group.

Deferred income tax liabilities amounted to \$5.7 million as at 31 May 2010 and 30 November 2010 and accounted for 25.7% and 28.4% of non-current liabilities as at the respective balance sheet dates.

Shareholders' Equity

Our shareholders' equity was \$30.0 million and \$40.0 million as at 31 May 2010 and 30 November 2010 respectively, and comprised mainly our share capital and retained profits.

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LIQUIDITY AND CAPITAL RESOURCES

Our business growth and operations have been financed through a combination of shareholders' equity, net cash generated from our operating activities and borrowings from banks. Our principal uses of cash have been for working capital requirements and capital expenditure.

As at 30 November 2010, we have equity (excluding non-controlling interests) of \$40.0 million, cash and cash equivalents (including bank deposits pledged) of \$33.4 million and borrowings of \$19.1 million. Our Directors are of the opinion that, as at the Latest Practicable Date, after taking into account our cash position, cash flow from operating activities and the amounts available under our existing bank facilities, our Group has adequate working capital to meet its present requirements. Please refer to the section entitled "Capitalisation and Indebtedness" of this Prospectus for details on our banking facilities. Our negative working capital position for the Periods Under Review was due mainly to significant investments in property, plant and equipment for upgrading our yard facilities and expansion of yard facilities which we had financed using mainly our internal sources of funds. Please refer to the sections entitled "Review of Financial Position" for more information.

We set out below a summary of our consolidated statements of cash flows for FY2008, FY2009, FY2010 and HY2011. The following summary of consolidated statements of cash flows should be read in conjunction with the full text of this Prospectus, including the "Independent Auditors' Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010" and the "Independent Auditors' Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010" as set out in Appendices A and B of this Prospectus respectively:-

	FY2008 \$'000	FY2009 \$'000	FY2010 \$'000	HY2011 \$'000
Net cash generated from operating activities	27,106	33,848	41,060	12,566
Net cash used in investing activities	(21,515)	(18,364)	(21,106)	(741)
Net cash used in financing activities	(8,012)	(12,340)	(14,819)	(11,673)
Net increase/(decrease) in cash and cash equivalents	(2,421)	3,144	5,135	152
Effect of currency translation on cash and cash equivalent	61	2	(3)	(26)
Cash and cash equivalents at beginning of financial year/period	7,386	5,026	8,172	13,304
Cash and cash equivalents at end of financial year/period	5,026	8,172	13,304	13,430

FY2008

In FY2008, we generated net cash flow from operating activities before changes in working capital of \$31.4 million. Net cash used in working capital amounted to \$3.0 million due mainly to an increase in trade and other receivables of \$6.7 million in line with the increased revenue achieved in FY2008, partially offset by an increase in trade and other payables of \$3.0 million, and a decrease in other current assets and construction work-in-progress of \$0.4 million and \$0.2 million respectively. We also paid income tax of \$1.7 million.

Net cash used in investing activities amounted to \$21.5 million due mainly to acquisition of property, plant and equipment of \$22.1 million for upgrading our yard facilities and upgrading of investment properties of \$0.4 million, partially offset by the proceeds from disposal of property, plant and equipment of \$1.0 million.

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Net cash used in financing activities of \$8.0 million was due mainly to:-

- (i) payment of interest expense of \$0.6 million;
- (ii) dividend paid to shareholders of the Company of \$10.5 million;
- (iii) repayment of finance lease of \$0.6 million; and
- (iv) partially offset by a net increase in term loans of \$2.4 million and a decrease in short-term bank deposits of \$1.3 million.

FY2009

In FY2009, we generated net cash flow from operating activities before changes in working capital of \$16.0 million. Net cash generated from working capital amounted to \$20.7 million due mainly to:-

- (i) decrease in trade and other receivables of \$13.2 million in line with the lower revenue achieved in FY2009;
- (ii) increase in trade and other payables of \$15.8 million⁽¹⁾; and
- (iii) partially offset by an increase in construction contract work-in-progress of \$0.7 million, an increase in inventories of \$7.2 million and an increase in other current assets of \$0.4 million. The level of inventories increased as we had procured materials for a project which was subsequently aborted.

Note:-

- (1) The increase was attributed to an increase in trade payables, an increase in advance received and due to customers, and offset by a decrease in accrued costs.

We paid income tax of \$2.9 million.

Net cash used in investing activities amounted to \$18.4 million due mainly to acquisition of property, plant and equipment of \$18.0 million as we continue to make significant investments to improve our yard facilities and upgrading of investment properties of \$0.7 million which was partially offset by the proceeds from disposal of property, plant and equipment of \$0.3 million.

Net cash used in financing activities of \$12.3 million was due mainly to:-

- (i) payment of interest of \$0.5 million;
- (ii) dividend paid to shareholders of the Company of \$9.2 million;
- (iii) repayment of finance lease of \$0.4 million;
- (iv) net decrease in term loan of \$0.4 million; and
- (v) an increase in short-term bank deposits of \$1.8 million as security for certain bank loans.

FY2010

In FY2010, we generated net cash flow from operating activities before changes in working capital of \$40.3 million. Net cash generated from working capital amounted to \$4.4 million due mainly to:-

- (i) decrease in construction contract work-in-progress of \$1.2 million;
- (ii) decrease in inventories of \$4.5 million;

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

- (iii) increase in trade and other payables of \$8.3 million; and
- (iv) partially offset by an increase in trade and other receivables of \$8.5 million in line with the increase in revenue and an increase in other current assets of \$1.1 million.

We paid income tax of \$3.7 million.

Net cash used in investing activities amounted to \$21.1 million due mainly to acquisition of the lease of a property at 13 Pandan Crescent and other property plant and equipment amounting to \$21.0 million, upgrading of investment properties of \$0.2 million and investment in an associated company of \$0.1 million, partially offset by the proceeds from disposal of property, plant and equipment of \$0.2 million.

Net cash used in financing activities of \$14.8 million was due to:-

- (i) payment of bank interest of \$0.8 million;
- (ii) payment of dividend to shareholders of the Company amounting to \$8.9 million;
- (iii) repayment of finance lease of \$0.3 million;
- (iv) increase in short term bank deposits of \$10.3 million as security for certain bank loans; and
- (v) partially offset by a net increase in term loans of \$5.5 million.

HY2011

In HY2011, we generated net cash flow from operating activities before changes in working capital of \$16.1 million. Net cash used in working capital amounted to \$1.8 million due mainly to:-

- (i) decrease in trade and other payables of \$8.2 million;
- (ii) increase in other current assets of \$0.3 million;
- (iii) partially offset by a decrease in trade and other receivables of \$6.1 million in line with the decrease in revenue and a decrease in inventory of \$0.6 million.

We paid income tax of \$1.8 million.

Net cash used in investing activities amounted to \$0.7 million due mainly to acquisition of property, plant and equipment amounting to \$0.8 million, upgrading of investment properties of \$0.3 million, partially offset by proceeds from disposal of property, plant and equipment of \$0.4 million.

Net cash used in financing activities of \$11.7 million was due to:-

- (i) payment of bank interest of \$0.4 million;
- (ii) payment of dividend to shareholders of the Company amounting to \$8.8 million;
- (iii) repayment of finance lease of \$0.3 million;
- (iv) repayment of bank borrowings of \$2.2 million.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

MATERIAL CAPITAL EXPENDITURE AND DIVESTMENT

Capital Expenditure

The capital expenditures and divestments made by our Group in the Periods Under Review were as follows:-

\$'000	FY2008	FY2009	FY2010	HY2011
Additions⁽¹⁾				
Freehold land and building	–	–	–	–
Office building	31	–	–	–
Furniture and fittings and office equipment	358	359	215	53
Computers	166	224	119	53
Site building and yard improvement	4,444	13,470	17,795	135
Site equipment and tools	4,053	1,704	2,170	188
Motor vehicles	966	664	547	690
Site building and yard improvement under construction	12,612	1,950	451	–
	22,630	18,371	21,297	1,119
Divestments⁽²⁾				
Freehold land and building	–	–	–	92
Office building	–	–	–	–
Furniture and fittings and office equipment	–	–	–	–
Computers	–	–	–	–
Site building and yard improvement	–	–	1,503	–
Site equipment and tools	–	–	–	342
Motor vehicles	1,027	219	255	239
Site building and yard improvement under construction	–	–	–	–
	1,027	219	1,758	673

Notes:-

- (1) This relates to the cost of property, plant and equipment acquired during the Periods Under Review.
- (2) This relates to the net book value of property, plant and equipment disposed off and written-off during the Periods Under Review.

The above capital expenditures were financed by term loans, finance leases and internally generated funds.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

COMMITMENTS

Capital commitments

As at 30 November 2010, we do not have any capital commitments.

Operating lease commitments

As at 30 November 2010, we have operating lease commitments in respect of our leasehold properties and fixed assets as follows:-

	\$'000
Not later than one year	2,469
Between one and five years	9,699
Later than five years	38,557
	<u>50,725</u>

Please refer to the section entitled “Properties and Fixed Assets” of this Prospectus for more information.

We intend to finance the above operating lease commitments by internally generated funds.

FOREIGN EXCHANGE MANAGEMENT

Accounting treatment of foreign currencies

Foreign currency transactions

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Currency translation differences 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 the income statement.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Foreign currency translation

The results and financial position of our foreign subsidiaries 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 rate at the date of the balance sheet;
- (ii) income and expenses are translated at average exchange rate; and
- (iii) all resulting foreign currency translation differences are recognized in the currency translation reserve.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Foreign exchange exposure

Our reporting currency is in \$ and we operate principally in Singapore and have a presence in Malaysia. Our operating expenses incurred in these countries are denominated mainly in the respective currencies of these countries. Our sales and purchases of project raw materials for carrying out our projects are mainly denominated in \$. From time to time, we also purchase machinery and equipment in other currencies such as British Pound, Eurodollar and US\$. The percentage of our revenue, cost of sales and expenses denominated in the different currencies for the Periods Under Review were as follows:-

	FY2008 (%)	FY2009 (%)	FY2010 (%)	HY2011 (%)
Percentage of revenue denominated in				
\$	99.6	96.3	90.7	93.1
US\$	0.4	3.7	9.3	6.9
	100.0	100.0	100.0	100.0
	FY2008 (%)	FY2009 (%)	FY2010 (%)	HY2011 (%)
Percentage of expenditures ⁽¹⁾ denominated in				
\$	94.7	93.0	94.2	99.5
US\$	4.4	4.1	4.1	0.5
Others ⁽²⁾	0.9	2.9	1.7	–
	100.0	100.0	100.0	100.0

Notes:-

- (1) Expenditures include all purchase of materials and fixed assets as well as operating expenses.
(2) Others include the Australian Dollar, British Pound, Eurodollar and RM.

To the extent that our revenue, cost of sales and expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collections/payments, we will be exposed to adverse fluctuations of the various currencies against the \$, which will adversely affect our earnings.

As at end of the Periods Under Review, almost all our borrowings were denominated in Singapore Dollars.

Our foreign exchange gains/(losses) in each of the Periods Under Review were as follows:-

	FY2008	FY2009	FY2010	HY2011
Foreign exchange gains/(losses) (\$'000)	(759)	439	645	(9)
As a percentage of our revenue (%)	0.4	0.4	0.3	– ⁽¹⁾
As a percentage of our profit before income tax (%)	2.9	4.0	2.0	– ⁽¹⁾

Note:-

- (1) Less than 1%.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Currently, we do not have any formal policy for hedging against foreign currency exposure. However, we selectively hedge our foreign currency exposure for our purchases of machinery and equipment by entering into foreign currency forward contracts and options. We will continue to monitor our foreign currency exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise. We will prior to entering any hedge transactions, seek the approval of our Board on the policy for entering into any foreign exchange hedging transactions and put in place adequate procedures which must be reviewed and approved by our Audit Committee. Our Audit Committee will monitor the implementation of the policy, including reviewing the instruments, processes and practices in accordance with the policy approved by the Board.

GENERAL INFORMATION ON OUR GROUP

SHARE CAPITAL

Our Company was incorporated in the Republic of Singapore on 19 June 2003 under the Act as a private company limited by shares, under the name, "Dyna-Mac Holdings Pte. Ltd.". Our Company was converted into a public limited company and the name of our Company changed to "Dyna-Mac Holdings Ltd." in connection therewith on 10 February 2011.

Our Company was incorporated with an issued and paid-up share capital of \$2 comprising two Shares.

On 31 May 2009, our sole Shareholder approved the issuance and allotment of 2,499,998 Shares to Mr Lim Tze Jong by way of a bonus issue. Upon completion of the bonus issue, our Company's issue and paid-up share capital was increased to \$2,500,000 comprising 2,500,000 Shares.

On 18 June 2010, our sole Shareholder further approved the issuance and allotment of an additional 23,975,853 Shares to Mr Lim Tze Jong by way of a subscription of Shares by Mr Lim Tze Jong at the subscription price of \$1.00 per Share. Upon completion of the subscription, our Company's issue and paid-up share capital was increased to \$26,475,853 comprising 26,475,853 Shares.

On 10 February 2011, our sole Shareholder of the Company approved the adoption of the new Articles.

At an extraordinary general meeting held on 16 February 2011, our sole Shareholder approved, *inter alia*, the following:-

- (a) the sub-division of one (1) Share in the issued share capital of our Company into 714,285,000 Shares (the "**Sub-Division**");
- (b) the issue of New Shares pursuant to the Invitation which when allotted and issued and fully paid will rank *pari passu* in all respects with the existing issued Shares;
- (c) the issue of the Over-allotment Shares pursuant to the Over-allotment Option, which when allotted and issued and fully paid will rank *pari passu* in all respects with the existing issued Shares;
- (d) the adoption of the DMSAS, and the authorisation of our Directors, pursuant to Section 161 of the Companies Act, to allot and issue Shares upon the release of Awards granted under the DMSAS;
- (e) the adoption of the DMSOS, and the authorisation of our Directors, pursuant to Section 161 of the Companies Act, to allot and issue Shares upon the exercise of Options granted under the DMSOS and that authority be given to our Directors to grant Options at a discount up to a maximum discount of 20%;
- f) (aa) that our Directors be authorised pursuant to Section 161 of the Companies Act to: (i) allot and issue Shares in our Company; and (ii) issue convertible securities and any Shares in our Company pursuant to the conversion of such convertible securities (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as our Directors may think fit for the benefit of our Company, provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority shall not exceed 50% of the post-Invitation issued shares of our Company, of which the aggregate number of Shares and convertible securities issued other than on a pro-rata basis to the then existing shareholders of our Company shall not exceed 20% of the post-Invitation issued share capital of our Company, and, unless revoked or varied by our Company in general meeting, such authority shall take effect from the date of listing of our Shares on the SGX-ST and shall continue to be in force until the conclusion of our next annual general meeting or the date by which our next annual general meeting is required by law or by our Articles to be held, whichever is earlier.

GENERAL INFORMATION ON OUR GROUP

For the purpose of this resolution and pursuant to Rules 806(3) and 806(4) of the Listing Manual, “post-Invitation issued share capital” shall mean the enlarged share capital of our Company (excluding treasury shares) after the completion of the Invitation, 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 such authority is given, provided the options or awards were granted in compliance with the Listing Manual; and (iii) any subsequent bonus issue, consolidation or sub-division of shares; and

- (bb) Without prejudice to the generality of, and pursuant and subject to the approval of the general mandate to issue shares and/or convertible securities set out in paragraph (aa) above, authority be given to our Directors at any time to issue Shares (other than on a pro-rata basis to Shareholders) at an issue price for each Share which shall be determined by our Directors in their absolute discretion provided that such price shall not represent a discount of more than 10% to the weighted average price of a Share for trades done on the SGX-ST (as determined in accordance with the requirements of the SGX-ST); and (ii) (unless revoked or varied by our Company in general meeting) the authority so conferred shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is the earlier.

As at the date of this Prospectus, there is only one class of issued shares in the capital of our Company, being ordinary shares. The rights and privileges of our Shares are stated in our Articles, which are set out in Appendix E of this Prospectus. There is no founder, management or deferred shares reserved for issuance for any purpose. Save for the share options which may be granted under the DMSOS, no person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or our subsidiaries.

As at the date of this Prospectus, no Award has been granted under the DMSAS and no Option has been granted under the DMSOS.

As at the date of this Prospectus, the issued and paid-up share capital of our Company is \$26,475,853 divided into 714,285,000 Shares. Upon the issue and allotment of the New Shares, the resultant issued and paid-up share capital of our Company will be \$91,575,853 divided into 900,285,000 Shares. Details of the changes in the issued and paid-up share capital of our Company since our incorporation and immediately after the Invitation are as follows:-

	Resultant number of Shares	Resultant issued and paid-up share capital (\$)
Issued and paid-up Shares as at our incorporation	2	2
After issuance of 2,499,998 Shares to Mr Lim Tze Jong	2,500,000	2,500,000
After issuance of 23,975,853 Shares to Mr Lim Tze Jong	26,475,853	26,475,853
Sub-division of Shares	714,285,000	26,475,853
New Shares to be issued pursuant to the Invitation	186,000,000	65,100,000
Post-Invitation issued and paid-up share capital	900,285,000	91,575,853

GENERAL INFORMATION ON OUR GROUP

The shareholders' equity of our Company as at 30 November 2010, before and after adjustment to reflect the Invitation are set forth below. This should be read in conjunction with the "Independent Auditors' Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010" set out in Appendix B of this Prospectus.

	As at 30 November 2010 (\$)	After the Invitation (\$)
Share capital	26,475,853	91,575,853
Retained profits and reserve	13,498,178	13,498,178
Invitation expenses	–	(3,100,000)
	39,974,031	101,974,031
Non-controlling interests	42,445	42,445
Total shareholders' equity	40,016,476	102,016,476

RESTRUCTURING EXERCISE

The Restructuring Exercise, comprising the following steps, was undertaken by our Group to streamline our Group structure and to prepare for the listing of our Company:-

(i) Incorporation of our Company

Our Company was incorporated in the Republic of Singapore on 19 June 2003 as an exempt private company limited by shares to act as the holding company of our Group. On incorporation, our Company's issued and paid-up share capital was \$2.00 comprising two Shares, with one Share held by each of Mr Lim Tze Jong and Mdm Phee Eng Kit.

On 1 March 2009, Mr Lim Tze Jong acquired the one Share held by Mdm Phee Eng Kit for a consideration of \$1.00.

(ii) Acquisition of DM Engineering Malaysia.

On 2 August 2004, DM Engineering Singapore acquired the entire issued and paid-up share capital of DM Engineering Malaysia from Mr Lim Tze Jong and Mdm Phee Eng Kit (each holding 99,999 and one ordinary shares, respectively) for an aggregate consideration of RM100,000. The consideration was based on the paid-up capital of the company.

(iii) Acquisition of Singapore Subsidiaries

On 31 March 2009, pursuant to a sale and purchase of shares agreement dated 1 March 2009, as supplemented by a restructuring and supplemental agreement dated 25 November 2010 (collectively, the "**Restructuring Agreement**"), our Company completed the following acquisitions:-

- (a) the entire shareholding of DM Engineering Singapore comprising 1,000,000 ordinary shares held by Mdm Phee Eng Kit, Mr Lim Tze Jong, Mr Teo Boon Hwee and Mr Lim Tjew Yok (each holding 134,000, 766,000, 50,000 and 50,000 ordinary shares, respectively) for an aggregate consideration of \$12,003,330. The consideration was based on the audited NTA of DM Engineering Singapore as at 31 May 2008;
- (b) the entire shareholding of DM Corrosion comprising one ordinary share held by Mr Lim Tze Jong for a nominal consideration of \$1.00 based on the paid-up capital of the company;

GENERAL INFORMATION ON OUR GROUP

- (c) the entire shareholding of DM Offshore comprising four ordinary shares held by Mdm Phee Eng Kit, Mr Lim Tze Jong, Mr Teo Boon Hwee and Mr Lim Tjew Yok (each holding one ordinary share) for an aggregate consideration of \$266,231. The consideration was arrived at based on the audited NTA of DM Offshore as at 31 May 2008;
- (d) the entire shareholding of DM Fabricator comprising four ordinary shares held equally by Mdm Phee Eng Kit, Mr Lim Tze Jong, Mr Teo Boon Hwee and Mr Lim Tjew Yok for a total nominal consideration of \$4.00 based on the paid-up capital of the company; and
- (e) the entire shareholding of DM Marine comprising one ordinary share held by Mr Lim Tze Jong for a consideration of \$11,706,287. The consideration was based on the audited NTA of DM Marine as at 31 May 2008.

On 7 February 2011, we applied for DM Corrosion and DM Fabricator to be struck off from the Singapore Register of Companies as both companies have been dormant since incorporation.

Upon completion of the acquisitions, each of DM Engineering Singapore (along with its wholly owned subsidiary DM Engineering Malaysia), DM Corrosion, DM Offshore, DM Fabricator and DM Marine became a wholly-owned subsidiary of the Company.

(iv) Acquisition of DMP Engineering Singapore

On 31 March 2009, the entire shareholding of DMP Engineering Singapore comprising two ordinary shares held by Ms Tiong Sai Lan was transferred to the Company for a consideration of \$2.00 based on the paid-up capital of the company. Upon completion, DMP Engineering Singapore became a wholly-owned subsidiary of the Company.

(v) Increase of issued and paid-up share capital of our Company

On 31 May 2009, our Company allotted and issued 2,499,998 Shares to Mr Lim Tze Jong by way of bonus issue. The consideration for the issue amounting to \$2,499,998 was capitalised from our Company's retained profits.

(vi) Subscription of new ordinary shares in DM Offshore, DM Marine and DMP Engineering Singapore

On 31 March 2009, our Company subscribed for 499,996 and 999,999 new ordinary shares in DM Offshore and DM Marine, respectively, at \$1.00 per share.

Upon completion of the subscription, DM Offshore's issued and paid-up share capital increased to \$500,000 comprising 500,000 ordinary shares, whereas, the issued and paid-up capital of DM Marine was increased to \$1,000,000 comprising 1,000,000 ordinary shares.

On the same date, our Company and Paliy Marine Engineering Pte. Ltd, each subscribed for 54,998 and 45,000 new ordinary shares in the capital of DMP Engineering Singapore, respectively. Upon completion of the subscription, DMP Engineering Singapore became a 55% held subsidiary of our Company. On 10 February 2011, we applied for DMP Engineering Singapore to be struck off from the Singapore Register of Companies as DMP Engineering Singapore has been dormant since incorporation.

(vii) Incorporation of DM Engineering Hong Kong

On 19 February 2010, our Company, together with Paliy Marine Engineering Pte. Ltd., incorporated DM Engineering Hong Kong, in Hong Kong. As at the Latest Practicable Date, no shares in DM Engineering Hong Kong have been issued and allotted to our Company and Paliy Marine Engineering Pte. Ltd., and DM Engineering Hong Kong remains a dormant company. As at the Latest Practicable Date, Paliy Marine Engineering Pte. Ltd. has relinquished its rights to subscribe for shares in DM Engineering Hong Kong to our Company due to a change in its business plans. As such, our Company will be the sole shareholder of DM Engineering Hong Kong upon the issue and allotment of shares to the Company.

GENERAL INFORMATION ON OUR GROUP

(viii) Further increase in the share capital of our Company

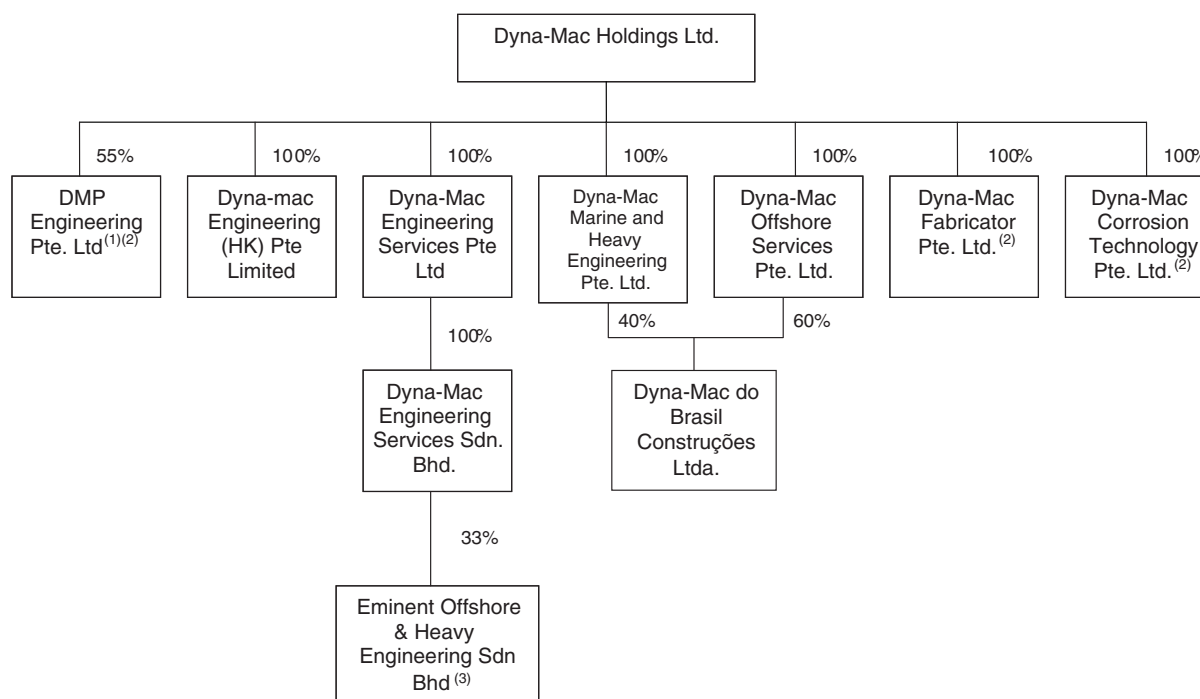
On 18 June 2010, pursuant to the Restructuring Agreement, our Company allotted and issued an additional 23,975,853 new Shares to Mr Lim Tze Jong as full consideration for the acquisition of DM Engineering Singapore (along with its wholly owned subsidiary DM Engineering Malaysia), DM Corrosion, DM Offshore, DM Fabricator and DM Marine as described in paragraph (iii) above.

(ix) Incorporation of DM Brazil

On 26 October 2010, DM Offshore, together with DM Marine, incorporated DM Brazil in Rio de Janeiro, Brazil to undertake Module Business in Brazil. As at the Latest Practicable Date, the capital stock of DM Brazil is R\$1,200,000, of which 60% is held by DM Offshore and 40% is held by DM Marine. As at the Latest Practicable Date, the capital stock of DM Brazil has not yet been paid up.

GROUP STRUCTURE

Our Group structure as at the date of this Prospectus is as follows:-



Notes:-

- (1) The remaining 45% in DMP Engineering Singapore is held by Pally Marine Engineering Pte. Ltd.. The shareholders of Pally Marine Engineering Pte. Ltd. are Shen Xiao Jing (14.0%), Koh Chin Chai (30.0%), Sitoh Ying Yee (1.3%), Tan Peng Joo (12.9%), Lim Sok Kern@Lim Ah Tee (28.9%) and Lim Peng Chuan Terence (12.9%). None of the shareholders and directors of Pally Marine Engineering Pte. Ltd. are related to our Directors, Executive Officers and Substantial Shareholder.
- (2) Currently in the process of being struck off from the Singapore Register of Companies.
- (3) The remaining 67% shareholding in Eminent Offshore is held by NED-Marine Engineering Sdn. Bhd. (49%) and Harvest Capital Investments Ltd (18%). The shareholders of NED-Marine Engineering Sdn. Bhd. are Rohani Binti Mat Yatim (50%) and Hasniza Binti Wazer (50%). None of the shareholders of NED-Marine Engineering Sdn. Bhd. are related to our Directors, Executive Officers and Substantial Shareholder. The shareholder of Harvest Capital Investments Ltd is Tanaldi Limited which is holding the shares in Harvest Capital Investments Ltd on trust for our Executive Chairman and CEO, Lim Tze Jong (45%), Lim Sok Kern@Lim Ah Tee (45%) and our Vice President (Commercial), Teo Boon Hwee (10%).

GENERAL INFORMATION ON OUR GROUP

SUBSIDIARIES

The details of each subsidiary of our Company as at the date of this Prospectus are as follows:-

Name of Company	Principal Activities	Date and Place of Incorporation / Principal Place of Business	Effective Equity Held By Group	Issued Capital
DM Brazil	(i) the fabrication, sale, installation and repair of modules for oil rigs, FSOs and FPSOs; and (ii) land and marine services of engineering, project management and other related services to the exploration and exploitation of oil and gas	26 October 2010, Brazil/Brazil	100%	R\$1,200,000 ⁽¹⁾
DM Corrosion ⁽²⁾	Contractors for sandblasting and painting	12 April 2007, Singapore / Singapore	100%	\$1.00
DM Engineering Malaysia	Contractors for construction works	2 November 1993, Malaysia / Malaysia	100%	RM300,000
DM Engineering Singapore	Contractors for project management, engineering, fabrication and installation of land and marine works	19 June 1990, Singapore / Singapore	100%	\$1,000,000
DM Fabricator ⁽²⁾	Contractors for construction works	18 June 2005, Singapore / Singapore	100%	\$4
DM Marine	Contractors for project management, engineering, fabrication and installation of marine works	12 April 2007, Singapore / Singapore	100%	\$1,000,000
DM Offshore	Contractors for repair and marine works	18 June 2005, Singapore / Singapore	100%	\$500,000
DM Engineering Hong Kong	Provides project management services for projects in the PRC	19 February 2010, Hong Kong / Hong Kong	100%	HK\$1,000,000 ⁽³⁾
DMP Engineering Singapore ⁽²⁾	Contractors for project management, engineering and construction of barges	25 July 2008, Singapore / Singapore	55%	\$100,000

Notes:-

- (1) As at the Latest Practicable Date, the capital stock of DM Brazil has yet to be paid up.
- (2) Currently in the process of being struck off from the Singapore Register of Companies.
- (3) Authorised, and not issued share capital of DM Engineering Hong Kong.

None of our subsidiaries are listed on any stock exchange.

GENERAL INFORMATION ON OUR GROUP

ASSOCIATED COMPANY

The details of the associated company of our Company as at the date of this Prospectus are as follows:-

Name of Company	Principal Activities	Date and Place of Incorporation	Effective Equity Held By Group	Issued Capital
Eminent Offshore	Contractors for project management, engineering and construction of barges	3 June 2009, Malaysia	33% ⁽¹⁾	RM1,000,000

Note:-

- (1) Held through DM Engineering Malaysia. The remaining 67% shareholding in Eminent Offshore is held by NED-Marine Engineering Sdn. Bhd. (49%) and Harvest Capital Investments Ltd (18%). The shareholders of NED-Marine Engineering Sdn. Bhd. are Rohani Binti Mat Yatim (50%) and Hasniza Binti Wazer (50%). None of the shareholders and directors of NED-Marine Engineering Sdn. Bhd. are related to the Directors, Executive Officers and Substantial Shareholder. The shareholder of Harvest Capital Investments Ltd. is Tanaldi Limited which is holding the shares in Harvest Capital Investments Ltd on trust for our Executive Chairman and CEO, Lim Tze Jong (45%), Lim Sok Kern@Lim Ah Tee (45%) and our Vice President (Commercial), Teo Boon Hwee (10%).

Eminent Offshore is not listed on any stock exchange.

PROPOSED INVESTMENT BY KSL

KSL has, through the Commitment Letters, committed to our Company to subscribe for and/or purchase, by itself or by its nominee (which shall be a wholly owned subsidiary of KOM) such number of Shares from the Placement Shares representing between 20% and 29% of our Company's post-Invitation share capital on the terms set out in the Commitment Letters.

KSL is a wholly owned subsidiary of Keppel Offshore & Marine Ltd, ("KOM"), which is in turn a wholly owned subsidiary of Keppel Corporation Limited ("KCL"), a company listed on the Mainboard of the SGX-ST. KSL is in the business of, among others, repairing, converting and upgrading a diverse range of vessels (such as FPSO, FSO, gas carriers and containerships). As part of its main business, KSL may occasionally be involved in the Module Business in Singapore.

Post-Invitation, KSL (or its nominee) will become a Controlling Shareholder of our Company. Under Chapter 9 of the Listing Manual, all dealings between our Group and any of KCL and its subsidiaries (the "Keppel Group") will be deemed as Interested Person Transactions.

Synergies and Benefits

The Company is of the view that, with KSL (or its nominee) as a cornerstone Shareholder, our Group will benefit from:-

- (a) a better profile, which will help our Group to secure more projects, both in Singapore and overseas;
- (b) the ability to tap into KSL's wider network and contacts (including customer and supplier base), numerous affiliated yard facilities in different parts of the world, and strong expertise in related fields to further expand our Group's Module Business.

GENERAL INFORMATION ON OUR GROUP

Appointment of NED

Pursuant to the Commitment Letters, KSL is entitled to nominate one person as an NED prior to the listing of our Company on the SGX-ST. Mr Yeo Chien Sheng, Nelson was appointed as our NED on 8 February 2011 pursuant to the Commitment Letters. Mr Yeo Chien Sheng, Nelson is currently the Managing Director of KOM and KSL. As a nominee director of KSL (or its nominee), Mr Yeo Chien Sheng, Nelson will not be participating in the day to day operations and management of our Group. Mr Yeo Chien Sheng, Nelson will also be appointed as a member of our Company's Nominating Committee and Audit Committee. As a member of the Board, Mr Yeo Chien Sheng, Nelson will abstain from voting on any Interested Person Transactions with KSL and its Associates where Board approval is sought. Further, as a member of the Audit Committee, Mr Yeo Chien Sheng, Nelson will not participate in the review of any such Interested Person Transactions.

In the event KSL's (or its nominee's) shareholding interest in our Company falls below 20% after the Invitation, or if KSL (or its nominee) ceases to be a subsidiary of KCL, unless otherwise agreed, KSL shall take reasonable steps to procure the immediate resignation of its nominee director as a Director and member of our Nominating Committee and Audit Committee.

Please refer to the section entitled "Potential Conflicts of Interests" of this Prospectus on the mitigating factors for potential conflict of interest situations arising from KSL (or its nominee) as a Controlling Shareholder, and the appointment of the NED to the Board and to the Audit Committee and Nominating Committee.

Right of First Refusal

Pursuant to an agreement signed between Lim Tze Jong and KSL dated 15 July 2010 (the "ROFR Agreement"), subject to certain conditions, Lim Tze Jong granted KSL (or its nominee) a right of first refusal to purchase Lim Tze Jong's Shares in the event that:-

- (a) Lim Tze Jong contemplates any transaction or action which may, directly or indirectly, reduce the percentage of his shareholdings in our Company below thirty-one percent (31%); and
- (b) in the event where Lim Tze Jong's shareholding in our Company is below thirty-one percent (31%), any contemplated transaction or action by Lim Tze Jong which may directly or indirectly reduce his shareholdings in our Company,

save for any *bona fide* corporate action of our Company made pursuant to Chapter 8 of the Listing Manual.

Such right of first refusal shall be over the Shares which are the subject matter of such transactions as described in (a) and (b) above.

Lim Tze Jong's obligations in respect of the first right of refusal is conditional upon:-

- (a) KSL (or its nominee) making its proposed investment at the Invitation as disclosed in the section entitled "Proposed Investment by KSL" of this Prospectus;
- (b) upon completion of the proposed investments, KSL (or its nominee) not selling its Shares such that the percentage of its shareholding in our Company falls below 20%;
- (c) KSL (or its nominee) remaining a subsidiary of KCL; and
- (d) Lim Tze Jong's performance of his obligations in respect of the right of first refusal is not prohibited by any applicable laws and the Listing Manual.

In addition, in the event that Lim Tze Jong decides not to subscribe for any or all of his entitlements in a renounceable rights issue by our Company, Lim Tze Jong undertakes to renounce all of his entitlements which he does not wish to subscribe to (the "Unsubscribed Entitlements") in favour of KSL and to use his reasonable efforts to do all other necessary acts (including without limitation executing all necessary documents) to enable KSL to subscribe for the Unsubscribed Entitlements.

GENERAL INFORMATION ON OUR GROUP

SHAREHOLDERS

Our Shareholders and their respective shareholdings immediately before and after the Invitation are set out below:-

Directors	Before the Invitation				After the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Tze Jong	714,285,000	100.00	–	–	464,285,000	51.57	–	–
Varghese John ⁽¹⁾	–	–	–	–	2,000,000	0.22	–	–
Lim Tjew Yok ^{(1), (2)}	–	–	–	–	2,000,000	0.22	–	–
Yeo Chien Sheng, Nelson	–	–	–	–	–	–	–	–
Tan Soo Kiat	–	–	–	–	–	–	–	–
Ong Seh Hong	–	–	–	–	–	–	–	–
Substantial Shareholders								
KSL (or its nominee)	–	–	–	–	250,000,000	27.77	–	–
Public	–	–	–	–	182,000,000	20.22	–	–
TOTAL	714,285,000	100.00	–	–	900,285,000	100.00	–	–

Notes:-

- (1) Our Executive Directors, Mr Varghese John and Mr Lim Tjew Yok, will each be offered 2,000,000 Placement Shares at the Invitation Price.
- (2) Our Director, Mr Lim Tjew Yok, is the brother of our Chairman and CEO, Mr Lim Tze Jong.

Save as disclosed in this Prospectus, there are no family relationships among our Directors and Substantial Shareholder.

The Shares held by our Directors and Substantial Shareholder do not carry different voting rights from the New Shares which are the subject of the Invitation.

Save as disclosed above, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly. Save as disclosed in the section entitled “Proposed Investment by KSL” of this Prospectus, there is no known arrangement, the operation of which may, at a subsequent date, result in a change in the control of our Company.

There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation or the units of a business trust which has occurred between 1 December 2010 and the Latest Practicable Date.

Significant Changes in the Percentage of Ownership

Save as disclosed under the section entitled “Share Capital” of this Prospectus, there had been no significant changes in the percentage of ownership of the Shares in our Company in the last 3 years, and from the period beginning 1 June 2010 to the Latest Practicable Date.

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MORATORIUM

To demonstrate his commitment to our Group, our Executive Chairman and CEO, Mr Lim Tze Jong, who will in aggregate hold 464,285,000 Shares in our Company, representing approximately 51.6% of our Company's enlarged issued and paid-up capital after the Invitation, has undertaken not to dispose of or transfer or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of any part of his interest in our Company for the period commencing from the date of admission of our Company to the Official List of the SGX-ST, to 31 July 2012.

In addition, Mr Lim Tze Jong has entered into a Share Lending Agreement with the Joint Underwriters to lend up to 30,000,000 Shares to the Joint Underwriters for the purpose of effecting the over-allotment or stabilisation activities in connection with the Invitation. At the conclusion of the price stabilisation activities (if any), the Shares lent by Mr Lim Tze Jong will be returned and will thereafter be subject to the aforementioned moratorium undertaking. There is no commission or fee payable to Mr Lim Tze Jong in respect of the share lending arrangement pursuant to the Over-allotment Option.

OUR HISTORY AND DEVELOPMENT

Our Company was incorporated in the Republic of Singapore on 19 June 2003 under the Act as a private company limited by shares, under the name, "Dyna-Mac Holdings Pte. Ltd.". Our Company was converted into a public limited company and the name of our Company changed to "Dyna-Mac Holdings Ltd." in connection therewith on 10 February 2011. Our Group was formed through the acquisition of our subsidiaries pursuant to the Restructuring Exercise. Please refer to the section entitled "Restructuring Exercise" of this Prospectus for further details.

Our Group's history may be traced back to 19 June 1990, when DM Engineering Singapore was incorporated as a private limited company by our Executive Chairman and CEO, Mr Lim Tze Jong and his parents, Mr Lim Kim Song and Mdm Tio Moi Kia @ Tio Suk Ping. The company commenced operations with an employee strength of twelve.

Our initial business was in the construction and fabrication of piping systems and steel structures, as well as the provision of skilled labour, for the marine and offshore, oil and gas industries in Singapore. Subsequently in 1992, we started to provide fabrication and installation services for onshore piping systems and steel structures for the pharmaceutical, petrochemical and energy industries.

On 2 November 1993, Mr Lim Tze Jong and his spouse, Mdm Phee Eng Kit, incorporated DM Engineering Malaysia to undertake works for stainless steel exhaust stacks and piping systems for gas turbine powerplants.

In 1997, we started to be involved in providing technical services and skilled labour for the fabrication and assembly of topside modules for FPSO and FSO conversions for the offshore oil and gas industry. In the same year, we were awarded a contract to complete the installation and testing of piping, electrical and mechanical works onboard the FPSO II by SBM. These works were carried out on the vessel whilst it was on tow to Brazil.

In 1999, we undertook complete module fabrication work for the first time as a turnkey sub-contractor to Keppel Shipyard for the fabrication, installation and pre-commissioning of three topside modules weighing between 200 and 300 tons each for the FPSO Espadarte owned by SBM. The work was carried out in Keppel Shipyard's facilities.

Between 2001 and 2002, we were engaged by SBM and Vanguard Australia Spc to undertake engineering, procurement and construction, installation and pre-commissioning works for 18 modules supporting three FPSO projects which were deployed in offshore oil fields in Brazil, West Africa and Australia. During this period, we operated out of rented yard facilities located at Pandan Road and Gul Road.

GENERAL INFORMATION ON OUR GROUP

In July 2002, to cater to our business expansion, we relocated our operations to a leasehold property at 59 Gul Road which has gross land area of approximately 39,700 sq m and a waterfront shoreline length of approximately 90 m. The leasehold property which is used as our yard facility is leased directly from JTC.

In September 2003, we expanded our premises by leasing an adjacent leasehold property, a yard facility at 33 Gul Road with gross land area of approximately 26,600 sq m and a waterfront shoreline length of approximately 76 m.

On 2 August 2004, DM Engineering Singapore acquired the entire issued and paid-up share capital of DM Engineering Malaysia from Mr Lim Tze Jong and Mdm Phee Eng Kit (each holding 99,999 and one ordinary shares, respectively) for an aggregate consideration of \$45,045.

In 2005, to further support the growth in our business, we sub-leased a portion of a facility at 45 Gul Road with gross land area of approximately 37,400 sq m. Since then we have been awarded contracts for modules of higher tonnages from SBM and other international customers such as Technip Oceania Pty Ltd of Australia, Prosafe Production Services Pte Ltd, Modec, BW Offshore Limited, VWS Westgarth Ltd and VME Process Inc.

In 2006, we were awarded a contract by Atlantia Offshore Ltd, a member of the SBM group, for the detailed engineering, procurement, fabrication, assembly and launching of the hull for the FPU known as the "Thunderhawk FPU-5500". Our work on this project, which has a total fabricated weight of 12,700 tons commenced in 2007, was completed in July 2008. The "Thunderhawk FPU-5500" was deployed for deep water oil production in the Gulf of Mexico.

Over the course of 2006, we acquired the entire leasehold property at 45 Gul Road which has gross land area of approximately 38,000 sq m. This leasehold property possesses a yard facility which has waterfront shoreline length of 134 m. We redesigned, redeveloped and upgraded our entire yard at Gul Road (comprising 33, 45 and 59 Gul Road), completing the construction of three panel line workshops (for pre-fabrication works) equipped with ten units of gantry cranes, which enhanced our ability to undertake projects of bigger tonnages. We also upgraded our facilities by procuring additional equipment such as two CNC cutting machines, three orbital welding machines and fourteen submerged arc welding machines, two units of multi-axle trailers with a lifting capacity of 320 tons each, and one unit of crawler crane with lifting capacity of 280 tons.

In April 2007, Mr Lim Tze Jong incorporated DM Marine with the intention to engage in Ad Hoc Projects in relation to assembly and fabrication of jack-ups and semi-submersibles.

In May 2007, our Group launched a suspended fluid transmission line which was fabricated at Bintulu, Malaysia as a single continuous pipeline and towed and installed by the customer on location approximately 300 nautical miles away in the Kikeh Field of East Malaysia (the "Kikeh Pipeline"). The Kikeh Pipeline, approximately 1.3 km long, is a type of sub-sea pipeline designed to connect a well-head and an FPSO. To the best of the Directors' knowledge, this was the first construction of such fluid transmission line in the world. While traditionally, sub-sea pipelines are laid on the sea bed, the Kikeh Pipeline was suspended at a depth of 180 metres under water without having to extend the pipeline all the way to the sea bed.

In 2008, our yard at our leasehold properties at Gul Road were levelled and combined to create a larger fabrication area, and further concreted to withstand heavier loads. Our waterfront shoreline was also upgraded to undertake a load out capacity of up to 27,000 tons.

On 11 September 2008, our Executive Chairman and CEO, Mr Lim Tze Jong entered into a sale and purchase agreement with NH Ceramics Ltd (the "S&P Agreement") for the acquisition of the entire equity interest of Dyna-Mac Holdings Pte. Ltd. by NH Ceramics Ltd for a total consideration of S\$282.5 million (the "Proposed RTO"). The Proposed RTO did not proceed to completion due mainly to the financial crisis during which the Group's customers postponed substantial capital expenditures in view of the uncertain outlook of the oil and gas industry and which resulted in a decline in the Group's revenue and profits in

GENERAL INFORMATION ON OUR GROUP

FY2009. As the parties could not come to a consensus on the revised valuation for the Proposed RTO by the long-stop date of 30 June 2009 for the completion of the transaction, it was decided that the S&P Agreement shall be terminated.

On 31 March 2009, to streamline our Group structure and to prepare for the listing of our Company, our Company undertook and completed the acquisition of our Singapore subsidiaries from Mr Lim Tze Jong. For more information on the acquisition of our Singapore subsidiaries, please refer to the section entitled “Restructuring Exercise” of this Prospectus.

In April 2009, we acquired the leasehold property at 31 Gul Road, which comprised of gross land area of approximately 6,000 sq m. With this acquisition, all of our warehousing facilities were centralised at 31 Gul Road, while our Group’s warehousing facilities at 59 Gul Road were converted to fabrication workshops to increase our production capacity. We also purchased new equipment such as tower cranes, pipe cutting machines, pipe bevelling machines and additional semi-automatic submerged arc welding machines. The acquisition of these new equipments allowed us to reduce reliance on manual labour and improve productivity and enhance consistency in quality of fabrication.

In April 2010, to support our growth, we acquired the lease of the property at 13 Pandan Crescent which comprises a gross land area of approximately 30,000 sq m and a three storey office building and fabrication workshops with total built up area of approximately 5,600 sq m. The leasehold property at 13 Pandan Crescent has a waterfront shoreline length of approximately 92 m with jetty facilities.

In July 2010, we entered into a collaboration agreement with KSL whereunder the parties have agreed to collaborate with each other on their respective core business in and outside Singapore. In addition, our Group and KSL have agreed to use reasonable commercial efforts to support, enhance and expand each other’s core business in the marine and offshore industry and wherever feasible, KSL and our Group may jointly bid for FPSO and FSO projects where our Group will carry out the Module Business while KSL will carry out the non-Module Business aspects of such projects. KSL and our Group shall collaborate in the Module Business outside Singapore mainly through joint ventures (subject to feasibility studies, appropriate due diligence, respective internal approvals and applicable rules in the Listing Manual), starting with Brazil and the PRC. Please refer to the section entitled “Potential Conflicts of Interests – Collaboration with KSL” of this Prospectus for details of the collaboration agreement.

In October 2010, we delivered our first turnkey project and our largest value project for a single vessel, “FPSO-PSVM”, for Modec which was completed in 12 months.

Since inception, our Group has grown from strength to strength, and as at 30 November 2010, we have an employee strength of about 693 personnel. As at the Latest Practicable Date, the heaviest single module loaded out of our yard facilities weighed approximately 1,520 tons.

BUSINESS OVERVIEW

Overview

We are a multi-disciplinary specialist provider of detailed engineering, procurement and construction services to the offshore oil and gas, marine construction and other industries. Our detailed engineering services are mainly detail shop drawing in accordance with design and specifications laid down by customers. Our procurement services entail acquisition and management of fabrication materials, equipment, parts and components. Our construction services encompass fabrication of steel structural frames, installation and assembly as well as pre-commissioning of the various process piping, equipment, electrical items and instruments.

Currently, our Group’s business segments are:-

- (i) Module Business which involves detailed engineering, procurement and construction of topside modules for FPSO and FSO; and
- (ii) Ad Hoc Projects which includes detailed engineering and fabrication services for specialised structures and piping for semi-submersibles, refineries as well as petrochemicals and pharmaceutical plants.

GENERAL INFORMATION ON OUR GROUP

The Module Business and Ad Hoc Projects are conducted through our yard facilities in Singapore.

Our customers are mainly major engineering companies as well as owners and/or operators of FPSOs, FSOs and semi-submersibles which serve the oil and gas companies. Our customers are located in Asia Pacific, Europe and USA.

Module Business

An FPSO is a type of floating production unit used by oil companies to produce, process, store and offload hydrocarbons. The extracted hydrocarbons from the sea bed is processed and separated into crude oil, gas, water and other impurities, and the separated crude oil is stored in the hull of the ship before being transferred to another carrier. An FSO is similar to an FPSO, except without the latter's processing capabilities.

Topside modules typically consist of modules of specialised process and control equipment such as separators, heat exchangers, coolers, pumps, electrical equipment, process piping, control valves and control panels, which are installed on steel structural frames and connected as per the lay-out drawings. Other topside modules include power generation module and accommodation module. When installed, the topside modules would enable an FPSO to function as designed, mainly to process, store and offload hydrocarbons in an offshore environment.

Our specialist services include the Module Business which involves detailed engineering, procurement and construction of topside modules for FPSO and FSO. It also involves integration of modules, refurbishment, maintenance and other related services in relation to such topside modules installed on board FPSOs and FSOs.

The following sets out briefly the notable projects in which our Module Business has been involved:-

Completed projects

Customer / Name of vessel	Project Details	Year of Completion	Total Weight
SBM / FPSO Espadarte	Three units of topside modules	2000	730 tons
SBM / FPSO Brazil	Six units of topside modules	2002	1,501 tons
MERPRO/ Vanguard Australia Spc / FPSO Four Vanguard	Main process module, process control equipment module and riser buoy, sponson and lantern frame	2002	757 tons
SBM / FPSO Falcon	Four units of topside modules	2002	958 tons
SBM / FPSO Serpentina	Eight units of topside modules	2003	2,500 tons
SBM / FPSO Marlim Sul	Eight units of topside modules	2003	3,830 tons
TechnipOceania Pty Ltd and Modec / FPSO Mutineer Exeter	Three units of topside modules	2004	1,271 tons
SBM / FPSO Capixaba	Seven units of topside modules	2005	3,490 tons
Malaysia Marine & Heavy Engineering Sdn Bhd / FPSO Kikeh	Four units of topside modules	2006	2,150 tons
Prosafe Production Services Pte Ltd / FPSO POLVO	Five units of topside modules	2006	2,715 tons
Prosafe Production Services Pte Ltd / FPSO Umuroa	Three units of topside modules	2006	1,232 tons
Modec / FPSO PRA-1-HPU/IGG	One unit of topside module	2006	820 tons

GENERAL INFORMATION ON OUR GROUP

Customer / Name of vessel	Project Details	Year of Completion	Total Weight
Modec Inc / FPSO Stybarrow	Four units of topside modules	2007	4,600 tons
SBM / FPSO MONDO	Five units of topside modules	2007	2,300 tons
SBM / FPSO Saxi Batuque	Seven units of topside modules	2007	4,210 tons
SBM / FPSO Espirito Santo	Seven units of topside modules	2008	4,446 tons
BW Offshore Limited / FPSO Cascade/Chinook Fields	Four units of topside modules	2009	1,730 tons
DPS (Bristol) Limited / FPSO Cascade/Chinook	Three units of topside modules	2009	1,900 tons
Petroserv S.A. /FPSO Pipa II	Five units of topside modules	2009	1,554 tons
SBM / FPSO P57	Five units of topside modules	2009	4,463 tons
VWS Westgarth Ltd / FPSO Pazflor	One unit of topside module and eight units of skids	2009	644 tons
SBM / FPSO Capixaba Relocation (Cachalote)	Three units of topside modules	2009	1,005 tons
Modec / FPSO Jubilee	Five units of topside modules and nine pipe racks	2009	6,100 tons
VME Process Inc. / FPSO Capixaba Relocation (Cachalote)	Three topside modules	2009	673 tons
SBM / FPSO OKHA	Six units of topside modules	2010	3,504 tons
SBM / FPSO Skarv	One unit of topside modules and pipes	2010	496 tons
Modec / FPSO PSVM	17 units of topside modules and five pipe racks	2010	16,002 tons
VWS Westgarth Ltd / FPSO PSVM	Two units of topside modules	2010	1,100 tons

Projects in Progress

Some of our projects currently in progress include:-

Customer / Name of vessel	Project Details	Expected Completion	Total Weight
SBM / FPSO Aseng	Eight units of topside modules	2011	5,300 tons
Armada TGT Limited / FPSO TGT	Three units of topside modules	2011	2,660 tons
SBM / FPSO Belia Azul	Four units of topside modules	2011	2,000 tons
VWS Westgarth / FPSO Belia Azul	One unit of topside module	2011	280 tons

GENERAL INFORMATION ON OUR GROUP

Ad Hoc Projects

We also undertake ad hoc general engineering and fabrication services for specialised structures for semi-submersibles and sub-sea products such as manifolds and buoys as well as fabrication of heavy steel or mechanical structures (including material handling equipment), process piping and tanks for various types of petrochemical and pharmaceutical plants and other modular construction (other than topside modules for FPSO and FSO).

In 2006, we embarked on our first project for the detailed engineering, procurement, fabrication, assembly and launching of the complete hull a semi-submersible FPU known as “Thunderhawk FPU-5500”. The project was substantially completed in FY2008.

In May 2007, we also undertook and completed the assembly and launch of the Kikeh Pipeline in Bintulu, Malaysia. The Kikeh Pipeline was fabricated as a single continuous pipeline and towed and installed by the customer on location approximately 300 nautical miles away in the Kikeh Field of East Malaysia. While traditionally, sub-sea pipelines are laid on the sea bed, the Kikeh Pipeline was suspended at a depth of 180 metres under water without having to extend the pipeline all the way to the sea bed. To the best of our Directors’ knowledge, this project is the first in the world and which was technically challenging and required stringent quality standards.

OUR PRODUCTION PROCESS

The following events represent a typical cycle in a project undertaken by us:-

I Tendering and Award of Projects

We typically secure projects through tendering. When we receive an invitation to bid for a project, our Vice President (Commercial) will assemble a team, generally comprising our senior manager (estimation), senior manager (commercial) and a project manager.

In preparing the tender submission documents, we will review the tender documents provided by our customers which contain details of the project, including drawing plans and project specifications such as the types and number of modules. Based on the tender documents provided by customers as well as our assessment of the complexity of the project, we will estimate the costs of materials, labour, machinery and other resources as well as sub-contractors costs required to complete the project. The tender submission documents are reviewed and approved by our Vice President (Commercial) or COO before they are submitted to the customers. For projects with contract value in excess of \$100 million, the tender submission documents are to be approved by our CEO.

After the letter of award or contract is received from the customer, we will review and ensure that the project specifications and scope of work to be performed by us are spelt out clearly in these documents and the contract terms are consistent with the tender submitted by us.

II Project Planning

Each project is headed by a project manager supported by a team of construction superintendents, project engineers, quality assurance engineers and supervisors. Before the commencement of a project, a pre-planned construction sequence stating the order of construction of the various modules as well as the construction sequence of each module will be adopted for the project to meet the customer’s schedule and quality requirements. Thereafter, our planning section will prepare a project master schedule in consultation with the client and in accordance with the agreed construction sequence. This project master schedule sets out the activities, milestones and timelines for the implementation of the project to ensure that the project is executed in a systematic and timely manner. It also includes a procurement schedule for the materials, labour, machinery and equipment. Through the project master schedule, we will be able to plan our resource deployment, identify cost implications and account for construction difficulties. We will also prepare a detailed project budget for cost monitoring. Upon acceptance by the customer, the project master schedule shall form part of the contract for the project.

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The project master schedule and procurement schedule will be communicated to the project team by the project manager. The project schedule and budget will be revised and updated by the project manager as the project progresses.

III Engineering Design and Drawing

The engineering section prepares the drawing register, which lists all the shop drawings required for the project, in accordance with the project master schedule. Our engineers and draughtsmen then design the items and prepare shop drawings as per the customer's requirements and specifications. These drawings, approved by customers, shall be issued to the construction team as per the project requirement. The scope of work as explained in the contract shall determine the level of engineering work.

IV Procurement of Materials and Sub-Contractor Services

Our procurement section controls the delivery schedules of the procured materials, equipment and consumables according to the project master schedule. The purchase of materials, storage, acceptance, issuance, surplus and scrap control are all done in accordance with our approved procedures. For those types of trades where we do not have sufficient resources, such as scaffolding, welding and painting, quotations from sub-contractors will also be obtained.

Procurement of materials and sub-contractor services are made based on the quality of goods and services, pricing and credit terms provided by suppliers and sub-contractors. We maintain a list of approved suppliers and sub-contractors based on their quality of products and services, product specification compliance as well as ability to meet product and service delivery schedule. This list is periodically reviewed and updated based on the feedback from our project managers and the performance of the suppliers and sub-contractors.

V Construction

During this phase, the works as specified in the contract are carried out by the construction team. Such works include construction work such as structural steel fabrication, piping fabrication, installation and assembly work, electrical and instrumentation work and equipment installation and special work processes such as welding, painting and heat treatment.

All works are controlled and executed based on specified procedures or work instructions. Only trained and qualified persons are engaged to carry out such fabrication works and special work processes. Clear specifications for such processes are communicated to the team performing the task by the construction manager to ensure compliance with safety and specification requirements.

During the construction phase, the planning engineer from the planning section reviews the progress of the project on a weekly basis and highlights areas of concern to the respective project managers and respective section heads of the respective engineering disciplines for their necessary actions.

All fabrication works will be carried out in accordance with approved drawings and contract specifications.

VI Pre-Commissioning

Pre-commissioning involves energising or pressuring checks and tests on plant and equipment to prove the functionality of the various modules. The extent of pre-commissioning scope to be carried out will be agreed with the customer. The typical scope of pre-commissioning includes electrical cables insulation test and continuity test, energisation of electrical lighting circuits, and positioning and alignment of motors, pumps and compressors. The results of pre-commissioning are recorded on inspection test records.

GENERAL INFORMATION ON OUR GROUP

VII Quality Assurance, Inspection and Testing

For each project, the quality assurance/quality control manager is responsible for identifying the respective quality requirements and reviewing the adequacy of current quality control methods. At each stage of the construction process, our quality assurance/quality control inspectors will conduct regular inspections and testing according to the inspection and test plan which we are required to prepare under each contract. The respective construction supervisors and the quality assurance/quality control inspectors are jointly responsible for ensuring the quality of our products meet our customers' requirements.

VIII Completion and handover

Before load out and handover to the customer, the construction manager and the quality assurance/quality control manager and the customer's representative verifies and checks all items as per drawings, specifications, applicable codes and instructions. All reports and documents shall be recorded and submitted to the customer at the end of the project.

FABRICATION FACILITIES AND CAPACITY

Our main yard facilities are located at our leasehold properties at 31, 33, 45 and 59 Gul Road ("Main Yard"). The leasehold properties have a combined gross land area of approximately 110,300 sq m, excluding the leasehold property at 13 Pandan Crescent. From time to time, we may also rent additional yard space on a short term basis to augment our production capacities.

Our production capacity is determined primarily by the production floor area available for fabrication and construction activities.

The estimated utilisation rate of our yard facilities (augmented by short term lease of other yards) for the Periods Under Review is as follows:-

	FY2008		FY2009		FY2010		HY2011	
	Estimated maximum capacity ⁽¹⁾ (tons)	Estimated utilisation rates ⁽²⁾ (%)	Estimated maximum capacity ⁽¹⁾ (tons)	Estimated utilisation rates ⁽²⁾ (%)	Estimated maximum capacity ⁽¹⁾ (tons)	Estimated utilisation rates ⁽²⁾ (%)	Estimated maximum capacity ⁽¹⁾ (tons)	Estimated utilisation rates ⁽²⁾ (%)
Main Yard	19,200		19,200		19,400		12,600 ⁽⁵⁾	
Short term rented yard	1,800 ⁽³⁾		–		4,800 ⁽⁴⁾		300 ⁽⁶⁾	
Total	21,000	90.5	19,200	67.7	24,200	99.2	12,900	51.0 ⁽⁷⁾

Notes:-

- (1) The estimated maximum capacity of our combined fabrication facilities for FY2008, FY2009 and FY2010 was calculated based on the total area of our yard space available for 52 weeks a year multiplied by the estimated maximum output (in tons) per sq m of yard space. The estimated maximum capacity of our combined fabrication facilities for HY2011 was calculated based on the total area of our yard space available for 26 weeks multiplied by the estimated maximum output (in tons) per sq m of yard space. The estimated output (in tons) per sq m of yard space is based on the past production trend of the Group.
- (2) The estimated utilisation rate of our fabrication facilities in each financial year or period was calculated by dividing the total actual output for the whole of that financial year or period by the estimated maximum capacity for that financial year or period.
- (3) Additional capacity from the short term rental of yard space at 35 Pioneer Road.
- (4) Additional capacity from the short term rental of yard space at 19 Joo Koon Road, 35 Pioneer Road and 13 Pandan Crescent.
- (5) Includes additional capacity from 13 Pandan Crescent which was acquired in April 2010.
- (6) Additional capacity from the short term rental of yard space at 19 Joo Koon Road.
- (7) The decrease in the utilisation rate of our facilities in HY2011 was due mainly to the decrease in fabrication activities in line with the lower revenue achieved in HY2011 compared to HY2010.

GENERAL INFORMATION ON OUR GROUP

In April 2009, we acquired the lease of 31 Gul Road which has gross land area of approximately 6,000 sq m. Thereafter, all of our Group's warehousing facilities were centralised at 31 Gul Road, while our previous warehousing facilities at 59 Gul Road was converted to fabrication workshops, hence increasing our production capacity in FY2010. We also rented additional yard space at 13 Pandan Crescent (before acquiring the lease of the property thereon in April 2010), and converted the rented warehouse at 19 Joo Koon Road to a piping workshop, which contributed to the increase in production capacity in FY2010. In addition, we purchased additional equipment such as tower cranes, pipe cutting machines, pipe bevelling machines and semi-automatic submerged arc welding machines.

In anticipation of the continued growth of our business, we acquired the leasehold property at 13 Pandan Crescent in April 2010 which has gross land area of approximately 30,000 sq m and a three storey office building and fabrication workshops with total built up area of approximately 5,600 sq m. This leasehold property has a waterfront shoreline length of approximately 92 m with jetty facilities. With this acquisition, the total combined gross land area of our yard facilities increased to approximately 140,300 sq m and our maximum annual fabrication capacity would increase to approximately 25,000 tons (excluding the additional capacity attributable to short lease of yard space).

QUALITY ASSURANCE AND SAFETY STANDARDS

We are strongly committed to quality, health, safety, environmental protection, customer satisfaction and a high performance culture, whilst ensuring adherence to our contractual obligations, regulatory and legal requirements.

In order to achieve the abovementioned objectives, our Group has, *inter alia*, adopted and implemented the management systems as outlined below.

Quality Assurance

Our Group has adopted the ISO 9001:2008 Quality Management System ("QMS") with effect from November 2009 to manage and maintain its operations more efficiently and effectively. Prior to this, our Group adopted the ISO 9002:1994 Quality Management System with effect from September 2000. QMS covers the procurement, construction and management of projects involving the fabrication and installation of structures, piping systems, pressure vessels, electrical and instrumentation systems as set out in the respective project scopes. In addition, we are also certified under ISO/TS 29001:2007 with effect from October 2008 for project management of procurement and construction involving fabrication and installation of structures, piping, pressure vessels, electrical and instrumentation disciplines.

We maintain a list of approved suppliers as well as sub-contractors.

All suppliers are approved based on the quality and range of their products, adherence to delivery dates and pricing. We conduct regular reviews on our list of suppliers, based on factors such as pricing, timeliness of delivery, responsiveness to our requirements and quality of products, which is maintained by our procurement manager.

With regards to our sub-contractors, our sub-contracting department, along with our project managers will carry out initial evaluations based primarily on past safety and performance track record, and the ability to provide skilled manpower. The sub-contractors are evaluated periodically based on their pricing, delivery, performance and responsiveness, with a focus on workmanship, safety practices and ability to follow our schedule with adequately skilled manpower.

Safety Management

On 4 May 2007, DM Engineering Singapore received a certificate of conformance for our Occupational Health and Safety Management System Specification, issued by ABS Quality Evaluations, Inc.. This certified that DM Engineering Singapore has been assessed and found to be in conformance with the requirements set forth by OHSAS 18001:2007 applicable to project management of procurement and construction involving fabrication and installation of structures, piping, equipment, electrical and instrumentation disciplines and assembly of topside modules. In March 2009, DM Engineering Singapore has been recertified as being in conformance with OHSAS 18001:2007.

GENERAL INFORMATION ON OUR GROUP

STAFF TRAINING

We recognise that our staff is one of our important resources and their training and development is crucial for good business performance. As part of the quality objectives set out in our QMS, at least 20% of the total workforce undertake skill training annually for a minimum of 8 hours. In addition, all new staff are to receive quality and safety induction training. At least 10% of the selected staff from the total strength received quality training annually for a minimum of 4 hours. Our training programme comprises three categories, namely safety, quality and technical skills.

The training requirements in relation to staff are assessed based on:-

- feedback from our employees;
- performance appraisals by the respective heads of departments; and
- job requirements.

Training may be carried out in the following ways:-

- on-the-job-training.
- internal training programmes.
- international training programmes conducted by external trainers.

Our Group also provides training in areas of safety, quality, welding, electrical work and painting to our sub-contractors' supervisors and workers.

Our training expenses as a proportion of our total staff costs were not significant for the Periods Under Review.

MAJOR CUSTOMERS

Our major customers who accounted for 5% or more of our revenue for the Periods Under Review are listed below. Customers that are related to one another have been grouped together and treated as a single customer.

Name of Customer	Types of Projects	Commencement	As a percentage of Revenue (%)			
			FY2008	FY2009	FY2010	HY2011
SBM ⁽¹⁾	Module Business and Ad Hoc Projects	1997	89.9	38.5	38.0	27.0
Modec ⁽²⁾	Module Business	2006	0.8	9.3	53.9	59.7
VWS Westgarth Ltd	Module Business	2007	1.7	6.3	0.8	1.6
BW Pioneer Ltd ⁽³⁾	Module Business	2009	–	12.6	–	–
DPS (Bristol) Limited ⁽⁴⁾	Module Business	2008	0.5	11.6	–	–
Dynamic Producer Inc. ⁽⁵⁾	Module Business	2009	–	9.9	0.5	–

Notes:-

- (1) To the best of the Directors' knowledge, SBM (based in Switzerland) is in the business of supplying facilities and services for the development of offshore oil and gas fields.
- (2) To the best of the Directors' knowledge, Modec (based in Singapore) is in the business of engineering, procurement, construction and installation of floating production systems such as FPSO vessels, FSO vessels and production semi-submersibles.
- (3) BW Pioneer Ltd is a subsidiary of BW Offshore Limited.

GENERAL INFORMATION ON OUR GROUP

- (4) Our NED, Mr Yeo Chien Sheng, Nelson was, on 7 December 2008, appointed as a director of DPS Bristol (Holdings) Limited, which is the holding company of one of our customers, DPS (Bristol) Limited.
- (5) Dynamic Producer Inc. is part of the Petroserv S.A. group.

Our Directors believe that the industry for construction and conversion of FPSOs, FSOs and semi-submersibles are characterised by the dominance of major engineering companies or owners and/or operators of these vessels. As such, our Directors believe that it is very likely for specialist services companies such as our Group which undertake the construction of the topside modules for FPSOs, FSOs and semi-submersibles to have customers which account for a significant proportion of their revenues.

For the Periods Under Review, our major customers, namely SBM and Modec, in aggregate, contributed about 90.7%, 47.8%, 91.9% and 86.7% of our revenue. The substantial contribution by these customers to our revenue for the Periods Under Review is in line with the Group's strategy of securing projects of high contract value so as to maximise efficient deployment of our fabrication facilities and resources. However, our Directors believe that any risk of dependence on these major customers is mitigated by the following:-

- (i) SBM and Modec have been our repeat customers since 1997 and 2006 respectively, attesting to our ability to consistently complete projects on a timely basis and deliver quality services.

For the Periods Under Review, revenue contributions from major customers have varied from year to year, reflecting the project-based nature of our business. Revenue contribution from SBM declined from 89.9% in FY2008 to 27.0% in HY2011 due to the substantial completion of the construction of the hull of an FPU in FY2008. On the other hand, revenue contribution from Modec had increased from 0.8% in FY2008 to 59.7% in HY2011. The lower aggregate contributions by SBM and Modec in FY2009 was in line with the general decline in the level of activities in the oil and gas industry brought about by the global financial crisis. Most companies in the oil and gas industry had postponed substantial capital expenditures in view of the then prevailing uncertainties in the market outlook.

- (ii) Our customer base includes other established companies such as VWS Westgarth Ltd, BW Pioneer Ltd, DPS (Bristol) Limited, Dynamic Producer Inc., Prosafe SE, Petroserv S.A Group, Bumi Armada, Malaysia and VME Process Inc..
- (iii) We are actively developing our business and enhancing our ability to secure more contracts from a wider customer base. In this regard, we have entered into joint venture or collaboration arrangements with Guangzhou Dockyards Co., Ltd as well as KSL. As at the Latest Practicable Date, we have jointly tendered for two projects in the PRC with Guangzhou Dockyards Co., Ltd. Please refer to the section entitled "Business Strategies and Future Plans" of this Prospectus for more information.

Revenue contribution from VWS Westgarth Ltd increased in FY2009 due to the commencement of a new project in the financial year. The project was completed in FY2010.

Revenue contribution from BW Pioneer Ltd in FY2009 was for a project which was completed within the financial year.

Revenue contribution from DPS (Bristol) Limited increased in FY2009 due to the completion of a project which had commenced in FY2008.

Revenue contribution from Dynamic Producer Inc. was higher in FY2009 due to the substantial completion of a new project which had commenced in that financial year. The project was completed in FY2010.

GENERAL INFORMATION ON OUR GROUP

Save as disclosed above, as at the Latest Practicable Date, our business and profitability are not materially dependent on any particular industrial, commercial or financial contract (including a contract with a customer). To the best of our Directors' knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major customers.

Save as disclosed above, there is no other customer whose revenue contribution to us accounted for 5% or more of our revenue in the Periods Under Review.

Save as disclosed above, as at the date of this Prospectus, none of our Directors or Substantial Shareholders of our Company has an interest, direct or indirect, in any of our major customers mentioned above.

CREDIT CONTROL POLICY

Credit for our customers

Upon signing of a contract for new projects, our customers usually pay an amount between 10% and 15% of the contract value as down-payment. Subsequently, customers are invoiced monthly based on the stage of completion of the projects. Our Group usually extends credit terms of up to 45 days to our customers. The payment milestones from our customers are dependent on whether the project is a long term or short term project.

For long term projects, which duration is for a period of approximately 12 months, the typical payment milestones are as follows:-

- (i) 15% upon signing of contract;
- (ii) 75% divided into equal monthly progress claims;
- (iii) 7.5% when the module is ready for loadout; and
- (iv) 2.5% upon completion of final documentation.

For short term projects, which duration is for a period of approximately 8 months, the typical payment milestones are as follows:-

- (i) 10% upon signing of contract;
- (ii) 15% upon cutting of first steel;
- (iii) 15% upon substantial completion of primary steel;
- (iv) 15% upon commencement of piping works;
- (v) 15% upon substantial completion of piping installation;
- (vi) 10% upon commencement of electrical and installation;
- (vii) 10% upon substantial completion of electrical and installation;
- (viii) 5% upon full completion of module;
- (ix) 2.5% upon loadout; and
- (x) 2.5% upon completion of final documentation.

GENERAL INFORMATION ON OUR GROUP

Our finance department monitors payment from our customers regularly and provides bi-monthly reports for our management's review. In the event that there are overdue payments, the respective project managers and our commercial department will follow up with customers on the collection of these payments. If repeated reminders to settle overdue payments fail to yield results, we may issue letters of demand and proceed with legal action to collect the debts after considering factors such as the quantum of the debts and our relationship with the specific customer.

Our trade receivables' turnover for the Periods Under Review are as follows:-

	FY2008	FY2009	FY2010	HY2011
Trade receivables turnover (days) ⁽¹⁾	57	84	42	62

Note:-

(1) For FY2008, FY2009 and FY2010 trade receivables turnover (days) = (trade receivables / revenue) x 365 days. For HY2011, trade receivables turnover (days) = (trade receivables / revenue) x 183 days.

Our trade receivables turnover was higher in FY2009 as some of our customers had requested for longer repayment period in view of the challenging business environment brought about by the global financial crisis. We had completed several projects towards the end of HY2011 and were negotiating with customers on the additional amount to be billed for certain variation orders. These customers had requested for longer repayment period for outstanding invoices which were previously billed pending the finalisation of the additional amounts to be billed for the variation orders thus resulting in higher trade receivables turnover for HY2011.

As most of our customers are multi-national companies with whom we have established long term relationships, we do not make general provisions for any doubtful debts. Specific provision on trade receivables will be made when we are of the view that the collectability of the outstanding debt is doubtful or uncollectable. It may also be written off when we are certain that the customer is unable to meet its financial obligations.

We perform ongoing credit evaluation of our debtors' financial condition. For customers with payments outstanding for more than 180 days, provision for impairment of trade receivables will usually be made on a case-by-case basis, depending on the creditworthiness of the customer at the relevant time.

The amount of allowance for impairment of trade receivables and trade receivables written-off for the Periods Under Review are as follows:-

	FY2008 \$'000	FY2009 \$'000	FY2010 \$'000	HY2011 \$'000
Allowance for impairment of trade receivables	319	301	1,512	–
Write-off of trade receivables	–	(21)	(495)	–
Total	319	280	1,017	–

The allowance for impairment of trade receivables for FY2010 includes the amount of approximately \$1.4 million which we billed to, and remains unpaid by, Swanlin Asia Pte. Ltd. For further information, please refer to the section entitled "General and Statutory Information – Litigation" of this Prospectus. To the best of their knowledge, our Directors are not aware of any information or development which may require us to make additional provisions for impairment on trade receivables. Our Directors are of the view that our provision for impairment on trade receivables is adequate. As at the Latest Practicable Date, approximately 99.9% of the trade receivables as at 30 November 2010 has been collected. Our Directors are of the opinion that the balance of the trade receivables are collectable as there have not been any bad debts associated with any of these customers during the Periods Under Review.

GENERAL INFORMATION ON OUR GROUP

Credit from our suppliers

Payment terms granted by our suppliers are dependent on, *inter alia*, our relationship with our suppliers as well as the value of the transaction.

In general, credit terms extended to us by our trade creditors range from 30 to 60 days. Our trade payables turnover for the Periods Under Review are as follows:-

	FY2008	FY2009	FY2010	HY2011
Trade payables turnover (days) ⁽¹⁾	61	155	50	77

Note:-

(1) For FY2008, FY2009 and FY2010, trade payables turnover (days) = (trade payables / total purchases) x 365 days. For HY2011, trade payables turnover (days) = (trade payables / total purchases) x 183 days.

Our trade payables turnover was higher in FY2009 and HY2011 as we had requested for longer repayment terms from some of our suppliers in view of the longer collection period of our trade receivables.

MAJOR SUPPLIERS

The major suppliers and sub-contractors who accounted for 5% or more of our purchases for the Periods Under Review are listed below. Suppliers and sub-contractors that are related to one another have been grouped together and treated as a single supplier.

Name of Supplier	Raw Material	As a percentage of our total purchases (%) ⁽¹⁾			
		FY2008	FY2009	FY2010	HY2011
Kim Seng Huat Hardware Pte Ltd	Pipes and pipe fittings	2.2	6.0	3.3	4.2
Regency Steel Asia Pte Ltd	Steel plates and sections	1.5	15.7	0.4	0.7
Seawolf Pte Ltd	Heating, ventilation and air-conditioning services	–	–	–	5.8
YHH Marine Engineering Pte Ltd	Piping services	2.5	0.8	2.7	5.6

Note:-

(1) Purchases are calculated as cost of sales less direct labour costs and direct depreciation.

Our Group's purchases from our suppliers and sub-contractors vary from year to year depending on the specific requirements of our projects. The usual practice is to obtain quotes and tenders from several suppliers and sub-contractors. In engaging a particular supplier or sub-contractor, we consider various factors such as size of the project, ability to meet the project schedule, pricing, quality of the materials or services provided as well as the relevant expertise of the supplier or sub-contractor.

Kim Seng Huat Hardware Pte Ltd is one of our suppliers for pipes and pipe fittings. Our purchases from Kim Seng Huat Hardware Pte Ltd had generally been stable during the Periods Under Review.

Our purchases from Regency Steel Asia Pte Ltd were higher in FY2009 due to the procurement of certain steel materials for a project which was subsequently aborted.

Seawolf Pte Ltd is a new sub-contractor we had engaged in line with our effort to increase the outsourcing of heating, ventilation and air-conditioning services to focus on our core competencies.

Our purchases from YHH Marine Engineering Pte Ltd as a percentage of total purchases was higher in HY2011 as it was the main sub-contractor for piping services for one of our projects which had accounted for a significant proportion of our revenue in HY2011.

GENERAL INFORMATION ON OUR GROUP

For the reasons disclosed above our Directors are of the view that, as at the Latest Practicable Date, our business and profitability are not materially dependent on any particular industrial, commercial or financial contract with a supplier or sub-contractor. To the best of our Directors' knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major suppliers or sub-contractors.

Save as disclosed above, there is no other supplier or sub-contractor whose sales to us accounted for 5% or more of our purchases in the Periods Under Review.

As at the date of this Prospectus, none of our Directors or Substantial Shareholders or any of their Associates has any interest, direct or indirect, in any of our major suppliers mentioned above.

INVENTORY MANAGEMENT

Our Group purchases materials we require for our projects such as steel materials, electrical instruments, pipes, beams and other construction materials in accordance with procurement schedule for each project. As such, we do not maintain a significant level of inventories. As at 30 November 2010, our inventories amounted to \$2.1 million and comprised mainly steel materials and other consumables.

When materials are delivered to our site, they are immediately allocated to the various projects for deployment and usage. At the end of the financial year, material and labour costs which have not been invoiced to customers in progress claims are recorded as construction contract work-in-progress.

Our inventories are measured at the lower of cost or net realisable value and cost is measured on a "first-in first-out" basis. Cost includes all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. We conduct a stock-take of our inventories at the end of each financial year.

SALES AND MARKETING

Our sales and marketing activities are managed by our CEO and senior management team, who maintain relationships with existing customers by meeting these customers regularly. Through these regular meetings, customers share information on market trends and new technological developments which enable our Group to better understand customers' requirements and to obtain feedback on the various projects being undertaken by our Group. Our Vice-President (Commercial), Mr Teo Boon Hwee who has over 13 years of experience in this industry, is responsible for developing relationships with new customers, including owners and suppliers of FPSOs and semi-submersibles as well as engineering companies serving the suppliers of FPSOs, FSOs and semi-submersibles.

Our sales and marketing approach is based on fostering long-term business relationships with our customers by consistently providing our customers high quality services. We believe our strategy of focusing on timely delivery of projects with strong emphasis on quality and safety has enabled our Group to establish itself as a reliable specialist provider of engineering, procurement and construction services to the marine and offshore oil and gas industries. This has enabled us to secure projects from new and existing customers.

Prior to FY2009, we did not undertake significant promotional activities. In December 2008, our Group participated in OSEA2008, an international oil and gas industry exhibition and conference, which is targeted at corporations and professionals in the oil and gas industry in Asia. Through the exhibition, we were able to raise our corporate profile and to market our services to an international audience.

Since FY2009, we increased our promotional activities through the placement of advertisements in the local newspapers, and trade journals such as "Oil & Gas Journal" and "Offshore". We have also advertised in business directories such as the "Singapore Marine Offshore", "Oil & Gas Supplies Directory" and "Singapore Shiprepairing, Shipbuilding & Offshore Industries Directory".

GENERAL INFORMATION ON OUR GROUP

INSURANCE

As at the Latest Practicable Date, we maintain the following insurance policies:-

Company within the Group	Type of Insurance	Subject of Insurance	Period of validity
DM Engineering Singapore	Electronic Equipment (Computer) Insurance	Electronic equipment, notebooks and data media belonging to the Company and the Group subsidiaries	1 June 2010 to 31 May 2011
DM Engineering Singapore	Equipment All Risk Insurance	All crane and lifting equipment, all machinery, equipments, tools of all description belonging to the Company and the Group subsidiaries located at 31, 33, 45 and 59 Gul Road, 19 Joo Koon Crescent, 13 Pandan Crescent, and 37 and 39 Techpark Crescent	1 June 2010 to 31 May 2011
DM Engineering Singapore	Fidelity Guarantee Insurance	Fidelity guarantee on 550 employees of Company and the Group subsidiaries	1 June 2010 to 31 May 2011
DM Engineering Singapore	Fire Insurance	Building (excluding foundation) of Class 1 belonging to the Company and the Group subsidiaries at 31 Gul Road and 13 Pandan Crescent	29 May 2010 to 28 May 2011
DM Engineering Singapore	Comprehensive General Liability and Completed Operations and Products Liability Insurance	All completed operations in connection with the business of, and all products handled, sold and distributed by the Company and the Group subsidiaries	1 June 2010 to 31 May 2011
DM Engineering Singapore	Cargo Inland Transit Insurance	All steel materials, equipments and machines belonging to the Company and the Group subsidiaries, held in trust or on commission or on consignment for which they are responsible to insure	1 June 2010 to 31 May 2011
DM Engineering Singapore	Industrial/Property All Risk Insurance	Buildings including but not limited to all furniture, fixture and fittings, office machines, office equipments etc belonging to the Company and the Group subsidiaries located at 59, 33, 45 and 31 Gul Road, 19 Joo Koon Crescent, 13 Pandan Crescent, and 37 and 39 Techpark Crescent	1 June 2010 to 31 May 2011
DM Engineering Singapore	Machine and Equipment All Risks Insurance	One unit of Komatsu Diesel Forklift Model No. FD50T-7	9 April 2010 to 8 April 2011
DM Engineering Singapore	Equipment All Risk Insurance	Crane and lifting equipments, tools of all description belonging to, and/or in the care, custody and control of the Company and the Group subsidiaries located at 59, 33, 45 and 31 Gul Road, 19 Joo Koon Crescent, 13 Pandan Crescent, and 37 and 39 Techpark Crescent	1 June 2010 to 31 May 2011

GENERAL INFORMATION ON OUR GROUP


Company within the Group	Type of Insurance	Subject of Insurance	Period of validity
DM Engineering Singapore	General Liability/ Umbrella Liability Insurance	Personal injury, property damage, or advertising injury occurring under the Company and the Group subsidiaries	1 June 2010 to 31 May 2011
DM Marine	Fire Insurance	Building (excluding foundation) of Class 1 belonging to the Company and the Group subsidiaries at 37 and 39 Tech Park Crescent	21 May 2010 to 20 May 2011

There have been no significant insurance claims for the Periods Under Review.

Our Directors are of the view that the above insurance policies are adequate for our existing operations. However, significant disruption to our operations, whether as a result of fire or other causes, may still have a material adverse effect on our results of operations or financial condition. We are not insured against loss of key personnel and business interruption. If such events were to occur, our business may be materially or adversely affected. Please refer to the section entitled "Risk Factors" of this Prospectus for more details. Our Directors will review our insurance coverage annually.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, the following trademark(s) has been registered by our Group:-

Mark	Trademark number	Place of application	Class	Application date	Registration expiry date
	T0308191Z	Singapore	42 ⁽¹⁾	30 May 2003	30 May 2013

Note:-

- (1) Class 42 relates to advisory services relating to design engineering; advisory services relating to industrial engineering; advisory services relating to the design of engineering products; advisory services relating to the safety of engineering products; civil engineering design services; civil engineering drawing services; civil engineering planning services; computer aided design engineering services; computer assisted engineering design services; computer engineering consultancy services; consultancy services relating to product engineering; design services relating to civil engineering; electrical engineering services; engineering project management services; engineering services for the analysis of machinery; engineering services for the analysis of structures; engineering services for the design of structures; industrial engineering design services; technical consultancy services relating to civil engineering; technical consultancy services relating to marine engineering; technical consultancy services relating to structural engineering; technological advisory services relating to engineering machines.

Save as disclosed above, we do not own nor are we dependent on any registered trademark, patent or other intellectual property rights. As at the Latest Practicable Date, our business or profitability is not materially dependent on any patents, trademarks or other intellectual property.

RESEARCH AND DEVELOPMENT

Due to the nature of our business, we do not undertake research and development activities and have not incurred any research and development expenses.

GENERAL INFORMATION ON OUR GROUP

COMPETITION

There are several companies globally specialising in the engineering, procurement, assembly, fabrication and pre-commissioning of topside modules. To the best of our Directors' knowledge, some of our major competitors are:-

- (i) BT Engineering Pte Ltd (Singapore);
- (ii) Lamprell PLC (United Arab Emirates);
- (iii) Gulf Piping Company W.L.L (United Arab Emirates);
- (iv) Malaysia Marine and Heavy Engineering Sdn Bhd (Malaysia); and
- (v) PT Profab (Indonesia).

None of our Directors, Controlling Shareholders or Substantial Shareholders has any interest, direct or indirect, in any of the above competitors.

Our competitors may vary for each project, as typically, each project is different in specifications and design. We compete, apart from pricing, on the quality of our services and products (such as detailed engineering capabilities and fabrication of structures), experience in handling complex projects (such as the Kikeh Pipeline), reputation and timely delivery. Particularly, as our customers are major engineering companies as well as owners and/or operators of FPSOs, FSOs and semi-submersibles which serve the oil and gas companies, we believe that the quality of our services, which we believe to be our key competitive advantage, is an important consideration as it affects the reliability and safety of the modules. To the best of the knowledge of our Directors, there are no published statistics that can be used to accurately measure our market share.

COMPETITIVE STRENGTHS

We believe that the following are our competitive advantages in relation to our operations:-

We have an experienced and dedicated management team

Our management team is led by our Executive Chairman and CEO, Mr Lim Tze Jong, who has more than 25 years of experience in our industry. He has in-depth knowledge and understanding of the industry and our customers' needs. Under his leadership, our Group has grown over the years to become a specialist provider of detailed engineering, procurement and construction services to the offshore oil and gas, marine construction and other industries. He is assisted by our other Executive Directors Mr Lim Tjew Yok and Mr Varghese John, and our Vice-President (Commercial), Mr Teo Boon Hwee. Mr Lim Tjew Yok has more than 18 years of project management experience. Mr Varghese John has over 30 years of experience in project management in carrying out engineering, procurement and construction contracts for refineries, oil and gas sector and pharmaceutical plants and about 8 years of experience in the field of quality assurances. Mr Teo Boon Hwee has more than 20 years of experience in the functions of costing, procurement and contracts. Please refer to the section entitled "Directors, Management and Staff" of this Prospectus for details of the working experience and qualification of our Directors and Executive Officers.

We have an established track record

Our Directors believe that in the last 11 years, our Group has established a reputation as a reliable specialist in the fabrication and assembly of topside modules for FPSOs and FSOs. This is achieved through consistent and timely delivery of quality products and services adhering to strict safety regulations. Our Group's engineering designs comply with and are made in accordance with applicable codes and practices, recognised industrial standards and classification societies' standards. For further details of our stringent quality control assurances, please refer to the section entitled "Quality Assurance and Safety Standards" of this Prospectus.

GENERAL INFORMATION ON OUR GROUP

As a testimony to our good track record, our customers have continued to appoint us for their subsequent projects in respect of topside modules to be fabricated in Singapore and Malaysia.

We have obtained OHSAS 18001:2007 certification by ABS Quality Evaluations, Inc. in respect of our occupational, health and safety management procedures for the provision of offshore engineering, procurement and management of construction services.

As at the Latest Practicable Date, we have successfully completed over 130 topside modules with the largest single module load out of 1,520 tons. We have also successfully completed the Kikeh Field project, being the world's first suspended fluid transmission lines measuring approximately 1.3 km. Our Directors believe that these projects serve as strong reference to the capabilities of our Group and better position us to secure more sophisticated projects of higher contract values.

We have a strong engineering and project management team

We have a team of committed and skilled engineering and project management staff, who have the requisite expertise and knowledge of the oil and gas and marine construction industries. Our team of engineers are able to provide detailed engineering drawings for the fabrication and assembly of sophisticated topside modules. The project management team utilises a production management system to plan and execute projects, continually monitor all aspects of performance on real-time basis, and promptly identify potential problems to ensure timely corrective actions which in turn enables our Group to achieve higher productivity, to complete projects on schedule and avoid costly project overrun.

We have large and integrated modern sea front yard facilities

Our Main Yard has an uninterrupted waterfront shoreline of approximately 300 metres in length and a depth of up to nine metres. Integrated into the waterfront shoreline is a load-out bay with a capacity for loading out heavy structures such as FPU's and topside modules of up to 27,000 tons onto carrier ships or barges.

If there is a need, the length and depth of our waterfront shoreline allows FPSO or FSO vessels of not more than 280 metres to berth alongside the wharf during topside modules installation and integration. This reduces the time and cost associated with transporting huge steel structures and modules to a nearest shipyard for installation and integration and sets us apart from some of our competitors who do not have such loadout bay and wharf facilities.

We have upgraded our yard facilities by levelling and concreting the fabrication area, and have also integrated infrastructure facilities for the supply of gas, water and electricity into the concreted fabrication area. The levelling and concreting of the fabrication area enables our yard to withstand heavier load, while the integration of the infrastructure facilities grants convenient access to gas, water and electrical supplies throughout the fabrication area. In addition, this creates a clean, tidy and safer working environment for our employees. Our Main Yard is also equipped with mobile covered workshops which enable us to carry out fabrication activities and ensure that project schedules are not adversely affected by inclement weather, thus avoiding costs overrun caused by project delays.

We have a strong and global customer base

Our Group's customers include SBM, Modec, BW Offshore Limited, Prosafe SE and Petroserv S.A. Group, which are among the world's largest owners and operators of FPSOs/FSOs and semi-submersibles. Our customers also include multinational engineering companies in the marine and oil and gas industries such as VWS Westgarth Ltd and VME Process Inc.. We maintain regular contacts with these customers and they provide us with regular updates on market trends and new technological developments which enable us to better understand customers' requirements. Some of our customers have also established or are establishing framework agreements with our Group which increase the chances of securing future projects with these customers in future. The framework agreements set out our scope of work and our prices to our customers which allows our customers to factor in the costs related to our scope of work when preparing their bid to end customers. Upon successful bidding by our customers, our customers will then award to us the part of the project relating to our scope of work as set out under the framework agreement.

GENERAL INFORMATION ON OUR GROUP

SEASONALITY

We do not experience any significant seasonality in the course of our business.

PROPERTIES AND FIXED ASSETS

As at the Latest Practicable Date, our Group owns the following properties:-

Company within the Group	Location	Approximate gross production and service area (including built-up area) / land area	Type (Freehold / Leasehold)	Encumbrances	Usage
DM Marine	37 Tech Park Crescent Singapore 637851	1,787.5 sq m	Leasehold – expiring on 17 August 2053	Mortgaged in favour of Standard Chartered Bank as security for a single currency term loan of \$4,800,000	Dormitory for foreign workers and sub-contractors
DM Marine	39 Tech Park Crescent Singapore 637852	1,789.3 sq m	Leasehold – expiring on 17 August 2053	Mortgaged in favour of Standard Chartered Bank as security for a single currency term loan of \$4,800,000	Dormitory for foreign workers and sub-contractors

As at the Latest Practicable Date, our Group leases the following properties:-

Location	Gross leased area	Tenure	Monthly Rental (including waterfrontage fee, where applicable)	Lessor	Usage
33 Gul Road, Singapore 629359	26,639.60 sq m and bordered by a waterfront shoreline length of approximately 76.04m	23 years and 2 months from 1 October 2007 ⁽¹⁾	\$29,081.46 (excluding GST)	JTC	Fabrication facilities
45 Gul Road, Singapore 629350	38,028 sq m and bordered by a waterfront shoreline length of approximately 134m	14 years from 1 December 2000, subject to an extension of 16 years from 1 December 2014 ⁽¹⁾	\$42,737.97 (excluding GST)	JTC	Office and fabrication facilities
59 Gul Road, Singapore 629354	39,666 sq m and bordered by a waterfront shoreline length of approximately 90m	23 years and 2 months from 1 October 2007 ⁽¹⁾	\$41,189.09 (excluding GST)	JTC	Office and fabrication facilities
31 Gul Road, Singapore 629358	6,006.3 sq m	Up till 30 June 2014 and extended for 16 years from 1 July 2014	\$7,738 (excluding GST)	JTC	Workshop

GENERAL INFORMATION ON OUR GROUP

Location	Gross leased area	Tenure	Monthly Rental (including waterfrontage fee, where applicable)	Lessor	Usage
13 Pandan Crescent, Singapore 128469	29,974.9 sq m	20 years from 1 October 1994 and extended for 20 years from 1 October 2014	\$65,095.34	JTC	Office and fabrication facilities

Note:-

(1) The JTC is in the process of finalising and issuing the certificate of title to the lease.

Our fixed assets, comprising mainly office building, site building and yard improvement as well as site equipment and tools, had a net book value of approximately \$60.8 million as at 30 November 2010. 37 and 39 Tech Park Crescent are held as investment properties and are currently used as dormitories for our employees.

Save as disclosed in Appendix H – “Government Regulations” of this Prospectus, there are no regulatory requirements or environmental issues that may materially affect our utilisation of our properties and fixed assets.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

PROSPECTS

The demand for our detailed engineering, procurement and construction services is driven mainly by conditions in the oil and gas industry which affects the demand for FPSOs, FSOs and semi-submersibles.

Our Directors believe that our Module Business and the Ad Hoc Projects will continue to enjoy growth in the coming years based on the following developments:-

Recovery in demand for oil and gas

Based on the "Oil Market Report, 18 January 2011"⁽¹⁾ published by the International Energy Agency, global oil demand in 2010 was assessed at 87.7 million barrels per day ("mbpd"). The strong demand was attributed to the global economic growth and the cold northern hemisphere weather in 2010. Global oil demand is expected to further rise by 1.6% to 89.1 mbpd in 2011.

Based on the "Monthly Oil Market Report, February 2011"⁽¹⁾ published by the Organisation of Petroleum Exporting Countries ("OPEC"), the world economy is forecast to grow by 3.9% in 2011. World oil demand is expected to grow by 1.4 mbpd in 2011 due to higher level of industrial activities in the US and the PRC.

With the recovery in global economic growth and the expected increase in demand for oil, we expect investments offshore oil and gas production to rise. The increased level of offshore oil and gas production activities is likely to increase the demand for offshore structures, such as FPSOs, FSOs and semi-submersibles.

Increase in demand for floating production systems

Our Directors believe that despite short term fluctuations due to factors such as global credit crunch and economic downturn, global oil and gas demand is expected to continue to increase in the long term fuelled by increased energy consumption of emerging economies such as PRC and India. The search for more oil and gas resources to meet the increase in global demand is unlikely to stop in spite of the short term economic difficulties and exploration budget cutbacks of oil and gas companies. In addition, the trend towards exploration into deeper waters offshore will continue given that the reserves in existing oil fields are depleting and the need to find new sources of oil to replenish and increase supply. In fact, the search has gone beyond the developed fields and conventional sources into undeveloped field in harsher environments including the Arctic and at greater depths. Deepwater activity is forecast to grow and this is a crucial factor for market growth of FPSOs, FSOs and semi-submersibles.

Based on the "Floating Production Systems March 2010 Report" published by the International Maritime Associates, Inc., orders for between 120 units and 185 units of FPSOs/FSOs are expected over the next five years. These orders are expected to generate capital expenditures of between US\$59.2 billion and US\$85.5 billion⁽¹⁾.

As Singapore is the leader in the global market for conversion of FPSOs and FSOs, our Directors believe that the continued investments by oil companies, and owners and operators of FPSOs and FSOs, will lead to an increase in the number and value of contracts for topside modules in Singapore.

Note:-

- (1) The "Oil Market Report, 18 January 2011", the "Monthly Oil Market Report, February 2011" and the "Floating Production Systems March 2010 Report" were not issued for the purpose of incorporation in this Prospectus. Each of the International Energy Agency, the Organisation of Petroleum Exporting Countries and the International Maritime Association, Inc., have not consented to the inclusion of the information quoted under this section and is thereby not liable for these statements under Section 253 and 254 of the Securities and Futures Act. Our Company has included the information in their proper form and context in this Prospectus and has not verified the accuracy of these statements.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

TRENDS AND ORDER BOOK

In general, the demand for our products and services are affected by the budget and timing of offshore oil and gas exploration and production investments of our customers which, in turn, depend on the global supply and demand for oil and gas. Based on the revenue and operations of our Group as at the Latest Practicable Date, our Directors observed the following trends for FY2011:-

- (a) our revenue for HY2011 decreased by 32.8% compared to HY2010. For the period from 1 June 2010 to the Latest Practicable Date, we have total contracts worth \$138.0 million which is substantially lower compared to our revenue for FY2010. The confirmed projects are expected to be completed and recognised as revenue in FY2011. As at the Latest Practicable Date, we do not have any new projects for delivery after FY2011. We have tendered for several projects but there is no assurance that we will be able to secure new contracts. Our order book in respect of projects as at any particular date is subject to changes in our customers' project schedules or cancellations of projects and may not be indicative of revenue for any succeeding period;
- (b) we have experienced an increase in cost of labour given the tight labour market in Singapore in FY2011. In addition, we expect price of steel which is our main raw material to increase as compared to FY2010 due to the recovery of the global economy and an increase in demand for resources from competing industries. We will endeavour to factor such price increase into our tender proposals. As such, we expect our gross profit margin to be relatively stable in FY2011; and
- (c) we expect our operating expenses to increase in line with our expansion plans in FY2011. Please refer to the section entitled "Business Strategies and Future Plans" of this Prospectus for more information on our expansion plans.

Save as disclosed above, in the sections entitled "Risk Factors", "Management Discussion and Analysis of the Results of Operations and Financial Condition" and "Prospects, Business Strategies and Future Plans" of this Prospectus and barring any unforeseen circumstances, our Directors believe that there are no other significant recent known trends in the costs and prices of our products and services, or any other known uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, profitability, liquidity and capital resources. They are also not aware of any such trends that would cause the financial information disclosed in this Prospectus to be not necessarily indicative of our future operating results or financial condition. Please also refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Prospectus for further information.

BUSINESS STRATEGIES AND FUTURE PLANS

Upgrading and expansion of yard facility at 13 Pandan Crescent

We intend to upgrade our yard facility at 13 Pandan Crescent by levelling and concreting the fabrication area, integrate infrastructure facilities into the concreted fabrication area, and upgrade the jetty facilities. The levelling and concreting of the fabrication area would enable our yard to withstand heavier load, while the integration of the infrastructure facilities grants convenient access to gas, water and electrical supplies throughout the fabrication area. Upgrading the jetty facilities would enhance the yard facility's load-out capabilities. The estimated cost of upgrading the leasehold property at 13 Pandan Crescent is approximately \$3.0 million, to be funded from the net proceeds from the Invitation.

In addition to upgrading our yard facility, we intend to construct a general workshop and a specialised pipe fabrication workshop at the same location. The specialised pipe fabrication workshop is intended to be equipped with a semi-automated production system to enable the more efficient fabrication of higher quality and piping systems made from materials such as duplex, super duplex and stainless steel pipes. In addition, the specialised pipe fabrication workshop is intended to be air-conditioned so that the production of pipes can be carried out in a controlled environment. The estimated cost of building the general workshop and specialised pipe fabrication workshop is approximately \$5.0 million, to be funded from the net proceeds from the Invitation.

The above upgrades and constructions have commenced in early 2011, and will complete by December 2011.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

Upgrading and expansion of yard facility at our Main Yard

As several of our customers' representatives are stationed at our premises for ongoing projects, we intend to construct a four-storey office building, and a car park and a canteen on our Main Yard to provide additional facilities for our customers' representatives and our staff. The estimated cost of construction is approximately \$10.0 million.

In addition, we intend to upgrade our Main Yard by levelling and concreting the fabrication area and integrating infrastructure facilities into the concreted fabrication area. The estimated cost of upgrading our Main Yard is approximately \$2.0 million.

The aforesaid expansion and upgrading at our Main Yard will be funded from the net proceeds from the Invitation.

Acquisition of additional equipment and machineries

We intend to acquire additional equipment and machineries for our yard facilities in Singapore such as two sets of CNC cutting machines, five sets of gantry cranes with lifting capacity of 10 to 25 tons, one unit of mobile crane with lifting capacity of 200 tons, and one unit of multi-axle trailer with lifting capacity of 800 tons. These equipment and machineries with improved features and performance specifications would upgrade our capabilities in our engineering and construction services and ensure that we stay abreast of technological advances in our industry. The estimated cost of these equipment and machineries is approximately \$7.0 million.

We believe that upgrading our yard facilities and acquiring equipment and machineries will enhance our capabilities to tender for a wider range of projects and also enable us to carry out fabrication works more efficiently and hence strengthen our market position as one of the leading multi-disciplinary specialist providers of engineering, procurement and construction services in Singapore.

We have earmarked approximately \$7.0 million of the proceeds from the Invitation for these purposes.

Expansion of operations overseas to countries such as the PRC and Brazil

In the last 15 years, we have established ourselves as a multi-disciplinary provider of detailed engineering, procurement and fabrication services focusing mainly on the offshore oil and gas industry. Our customers include major engineering companies as well as owners and/or operators of FPSOs, FSOs and semi-submersibles such as include SBM, Modec, BW Offshore Limited, Petroserv S.A. Group, Prosafe SE, VWS Westgarth Ltd and VME Process Inc.. We have taken steps to leverage on our experience and track record in the engineering, procurement and construction of top-side modules and establish a presence in various countries, more specifically the PRC and Brazil in collaboration with suitable local partners currently.

We have, in June 2010, entered into a memorandum of understanding as a joint venture partner with Guangzhou Dockyards Co., Ltd. The memorandum of understanding provides for the parties to work with each other and jointly bid for FPSO and FSO conversion projects chosen by the parties where the Company will focus on handling topside works and Guangzhou Dockyards Co., Ltd will focus on handling full conversion works. As at the Latest Practicable Date, we have, together with Guangzhou Dockyards Co., Ltd, jointly tendered for two projects in the PRC.

On 15 July 2010, our Company entered into a collaboration agreement with KSL under which KSL and our Group will collaborate in the Module Business outside Singapore mainly through joint ventures (subject to feasibility studies, appropriate due diligence, respective internal approvals and applicable rules in the Listing Manual) starting with Brazil and the PRC. Please refer to the section entitled "Potential Conflicts of Interests" of this Prospectus for more details. Our Directors believe this strategic collaboration with KSL will strengthen our profile which will help our Group to secure more projects and allow us to tap into KSL's wider network and contacts (including customer and supplier base), numerous affiliated yard facilities in different parts of the world and strong expertise in related fields to further expand our Group's Module Business.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

In October 2010, we incorporated DM Brazil to tender for potential projects in Brazil.

These overseas operations ensure that we are in close proximity to customers and would enable us to capitalise on the growth in demand for FPSOs and FSOs as a result of the expected increase in offshore oil and gas activities in those countries.

We estimate that the total cost of setting up operations in the PRC and Brazil, including procuring equipment and machineries as well as the hiring of additional staff, to be about \$20.0 million, which will be funded from the net proceeds from the Invitation.

LICENCES, CERTIFICATES AND APPROVALS

Save as disclosed in Appendix H – “Government Regulations” of this Prospectus, our Directors have confirmed, to the best of their knowledge and belief, after having made all reasonable enquiries, that as at the Latest Practicable Date, our Group has obtained all relevant business licences, certificates and approvals necessary for our current operations.

For details of legislation or regulatory controls other than those generally applicable to companies and businesses operating in Singapore and for relevant legislation and regulatory controls applicable in Malaysia, please refer to Appendix H – “Government Regulations” of this Prospectus for further details.

EXCHANGE CONTROLS

Singapore

There are no exchange control restrictions in the repatriation of capital and the remittance of profits into or out of Singapore by or to our Group companies in Singapore. For more details, please refer to Appendix C – “Taxation” of this Prospectus.

Malaysia

Under the current Exchange Control Notices of Malaysia issued by Bank Negara Malaysia (“Bank Negara”), foreign direct investors are freely allowed to repatriate their investment including capital, profit and dividends without being subject to any levy. There are no restrictions on the repatriation of interest and rental incomes.

With effect from 1 April 2005, as part of Bank Negara’s effort to enhance the business environment, the foreign exchange administration rules were further relaxed with some of the changes below:-

- (a) residents without domestic credit facilities are free to invest abroad in foreign currency, to be funded from their own foreign currency or conversion of RM funds;
- (b) residents are free to open foreign currency account onshore or offshore. No specific prior permission is required; and
- (c) there is no limit on the amount of foreign currency funds a resident is able to retain onshore or offshore.

However, for statistical reasons, with effect from 1 August 2007, Bank Negara requires residents making payment or remittances exceeding RM200,000.00 or its equivalent in foreign currency to a non-resident to provide certain information together with supporting documents in respect of such payments.

In addition, Bank Negara announced on 28 May 2008 and in 18 August 2010, further liberalisation of rules on borrowing by residents wherein:-

- (a) a resident company is free to borrow any amount in foreign currency from its non-resident non-bank related company; and
- (b) a resident company is free to obtain any amount of foreign currency supplier’s credit for capital goods from non-resident suppliers.

The threshold of foreign currency borrowing of RM100 million in aggregate by a resident company on a group corporate basis shall no longer be applicable to the above financing activities. However, where the non-bank related company is set up solely to obtain foreign currency loans from non-resident financial institution, the amount of borrowing from the non-resident non-bank related company continues to be subject to the prevailing aggregate limit of RM100 million equivalent from non-resident.

Related companies include the ultimate holding, parent/head office, subsidiary/branch, associate or sister (common shareholder) companies.

A non-resident non-bank parent company refers to:-

- (a) a non-resident company with more than 50% shareholding in a resident company; or
- (b) the ultimate non-resident parent company of the resident company, which is not a bank, an investment holding company owned by a bank or a stockbroking company.

The exchange rate of the RM since 21 July 2005 has been operated in a managed float, with its value being determined by economic fundamentals. Bank Negara will monitor the exchange rate against a currency basket which is kept confidential to ensure that the exchange rate remains close to its fair value.

Prior permission from the Controller of Foreign Exchange is required for dealings with the currencies and entities from Israel, Serbia and Montenegro.

EXCHANGE CONTROLS

Hong Kong

There are currently no foreign exchange controls in force in Hong Kong, and the Hong Kong dollar is freely convertible into other currencies.

Since 17 October 1983, the HK\$ has been linked to the US\$ through an arrangement in the note-issue mechanism, at a fixed rate of HK\$7.80 = US\$1.00. While the free market exchange rate of the HK\$ against the US\$ for the non-bank public is determined by supply and demand, it has not deviated significantly from the fixed exchange rate since then.

On 18 May 2005, the Hong Kong Monetary Authority introduced a strong-side Convertibility Undertaking to buy US\$ from licensed banks at HK\$7.75 to US\$1.00, and announced the shifting of the existing weak-side Convertibility Undertaking from HK\$7.80 to HK\$7.85, so as to achieve symmetry around the Linked Rate of HK\$7.80. The strong-side Convertibility Undertaking to buy US dollars removes the uncertainty of the extent to which the exchange rate may strengthen. This increases the sensitivity of the flow of funds into and out of the Hong Kong dollar to the interest rate differential between the HK\$ and the US\$.

Brazil

In Brazil, there is no specific restriction regarding repatriation of capital and the remittance of profits if the foreign investor registers the original investment, capital increases and capitalised earnings at the Central Bank of Brazil ("Central Bank").

The regime for foreign capital in Brazil is set forth in Law No. 4,131/1962 and Law No. 4,390/1965, as amended, both regulated by Decree No. 55,762/1965.

Article 3 of Law 4,131 provides that the foreign capital must be registered with the *Superintendência da Moeda e do Crédito*, that was subsequently replaced by the Central Bank.

Initially registrations of foreign capital with *Superintendência da Moeda e do Crédito* and subsequently with the Central Bank were extensive. However, from and after 1996, with the introduction of the electronic registration by Resolution No. 2,337/1996 (revoked by Resolution 3,844/2010) of the National Monetary Council, the procedure has been greatly simplified and expedited.

Resolution 3,844, subjects the following transactions to be registered with the Central Bank:-

- (a) foreign investments in Brazil, loans and financings granted to Brazilian residents, technology transfers contracted between residents and non-residents, in foreign or local currency or in the form of goods or services;
- (b) the Brazilian investments offshore and the loans and financings granted by Brazilian residents to non-residents, in foreign or local currency or in the form of goods or services; and
- (c) the repatriation, remuneration and remittances of funds set forth in (a) and (b) above.

Foreign direct investments in Brazil do not require Central Bank's or any other governmental authority's prior authorisation.

The registration of foreign direct investments (i.e. equity investments), called *Registro Declaratório Eletrônico de Investimentos Externos Diretos* ("RDE-IED"), is set forth in Central Bank's Circular No. 3,491/2010.

The creation of RDE-IED is incumbent on the local entity receiving the foreign direct investment and on the foreign investor, through its representative in Brazil, and must be effected within thirty (30) days from the investment acquisition.

The distribution of earnings accrued by a company domiciled in Brazil (from profits) to shareholders, even if they are domiciled overseas, is tax exempt.

DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

Our Directors are entrusted with the responsibility for the overall management and organisation of our Group. The particulars of our Directors are as set out below:-

Name	Age	Address	Position
Lim Tze Jong	53	22 La Salle Street, Frankel Estate Singapore 456938	Executive Chairman and CEO
Varghese John	66	89 Cashew Road, #07-02, Cashew Heights, Singapore 679660	Executive Director and COO
Lim Tjew Yok	51	31 West Coast Park, #11-24 Singapore 127649	Executive Director and Vice President (Operations)
Yeo Chien Sheng, Nelson	54	41 Kew Heights, Singapore 465985	Non-Executive Director
Tan Soo Kiat	52	6 Dover Rise, #05-10, Singapore 138678	Lead Independent Director
Dr Ong Seh Hong	48	15 The Inglewood, Singapore 575044	Independent Director

Our Executive Chairman and CEO Mr Lim Tze Jong and our Executive Director and Vice President (Operations) Mr Lim Tjew Yok are siblings.

Save as disclosed above, none of our Directors is related to each other or the Substantial Shareholders.

The working, business experience and areas of responsibility of our Directors are set out below:-

Mr Lim Tze Jong is our Executive Chairman and CEO. He is responsible for our Group's overall organisation, management and marketing. He is the founder of our Group and has been with our Group since its inception in 1990. As our key decision maker, he is responsible for charting the strategic direction and growth as well as corporate plans and policies of our Group. Mr Lim Tze Jong's responsibilities include overseeing the core aspects of our business such as project management, finance and marketing operations. Mr Lim Tze Jong has more than 25 years of experience in our industry. Together with his team of dedicated employees, Mr Lim Tze Jong was instrumental in diversifying our 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.

Mr Varghese John, our COO and an Executive Director, joined our Group in 1999. He is responsible for overseeing the technical and service aspects of our Group's operation, which include operations, quality assurance and quality control, procurement, safety and security as well as the development of some of the projects undertaken by the Group from time to time. Mr Varghese John has more than 30 years of experience in project management for engineering, procurement and construction contracts involving refineries, chemical plants and oil and gas projects and in the field of quality assurance. Prior to joining our Group, Mr Varghese John was a quality assurance manager in Bharath Heavy Electrical Trichinapoly, India from 1967 to 1981. Thereafter, he joined Sembawang Engineering Co. Pte Ltd from 1981 to 1990 and Sembawang Project Engineering Co. Pte Ltd from 1990 to 1997 where he gained further experience in project management and quality control especially in offshore platforms, piping and equipment deck. Between 1997 and 1999, Mr Varghese John was self-employed as a management consultant under the sole proprietorship of Jevitias Engineering and Quality Services. Some of the major projects in which Mr Varghese John has undertaken include the design, procurement and assembly of topside modules for FPSO VI for the Espadarte field in Brazil, a contract for the execution and installation of a pharmaceutical plant for Glaxco Pharmaceutical and Smith Kline Beecham, construction of an expanded facility for Shell Bukom, and the specialised fluid transmission line project for the Kikeh Field in East Malaysia.

DIRECTORS, MANAGEMENT AND STAFF

Mr Varghese John obtained his Bachelor's Degree in Mechanical Engineering from the University of Kerala in 1967. He was a member of the United National Industrial Development Organisation ("UNIDO") Fellowship in Welding Technology at Kiev, the former USSR and a fellow of the Welding Institute UK until 1995. In addition, Mr Varghese John is also a member of the Singapore Welding Society and a member of the Indian Institute of Welding. Mr Varghese John has published several technical papers on quality, productivity and project management in relation to FPSO topside modules.

Mr Lim Tjew Yok, our Vice-President (Operations) and an Executive Director, joined our Group in 2001. Mr Lim Tjew Yok is responsible for managing the operations of the production department, and the maintenance of utilities and fixed assets and development of the yard. Since joining our Group, Mr Lim Tjew Yok has managed more than 10 projects involving the design, procurement, construction, installation and commissioning of more than 100 topside modules and hull of the semi-submersibles. These include recent major projects such as the FPSO POLVO, FPSO Umuroa, FPSO Espirito Santo BC10, FPSO MONDO, FPSO Saxi Batuque, FPSO Stybarrow, FPSO Kikeh, FPSO Cascade and Chinook, FPSO Pipa II, FPSO P57, FPSO Pazflor, FPSO Cachalote, FPSO Jubilee, FPSO OKHA, FPSO PSVM and the Thunderhawk FPU-5500. Prior to joining our Group, Mr Lim Tjew Yok worked as a project engineer in Kailay Engineering Pte. Ltd. from 1982 to 1990. In 1991, Mr Lim Tjew Yok joined Shin Nippon Air Technologies Co. Ltd. as a chief engineer. In 1994, Mr Lim Tjew Yok was promoted to a construction manager, a position he held until 2001. During his tenure at Shin Nippon Air Technologies Co. Ltd. and Kailay Engineering Pte. Ltd., Mr Lim Tjew Yok managed several projects worth between \$10 million and \$50 million each. Mr Lim Tjew Yok obtained his Diploma in Mechanical Engineering from the Singapore Polytechnic in 1979.

Mr Yeo Chien Sheng, Nelson is our NED and was appointed to our Board on 8 February 2011. He is currently the Managing Director (Marine) of KOM and Managing Director of KSL. Mr Yeo Chien Sheng, Nelson brings with him over 28 years of experience in the offshore and marine industries. He joined the Keppel group in 1982 where he progressed from Management Trainee to Ship Repair Manager. From 1989 to 1993, Mr Yeo Chien Sheng, Nelson was General Manager at Wing Yong Engineering (Pte) Ltd, and also General Manager at Alpine Engineering Services Pte Ltd when incorporated. From 1993 to 1994, he was Yard Manager at KSL. From 1994 to 1996, he was President of Subic Shipyard & Engineering Inc.. From 1996 to 2009 he was Executive Director at KSL. Mr Yeo Chien Sheng, Nelson 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.

Mr Tan Soo Kiat is our Lead Independent Director and was appointed to our Board on 8 February 2011. He is currently the director of Intergate Pte Ltd., a company engaged in the provision of corporate advisory services. Mr Tan Soo Kiat was formerly the chief operating officer and executive director of Goodpack Limited from 1999 to 2000 and was responsible for the financial functions of the company. He also assisted the managing director of the company in its day-to-day business operations. Mr Tan Soo Kiat was formerly a general manager and executive director of Progen Holdings Ltd. from 1997 to 1999, vice-president (Finance) of Pacific Century Regional Developments Limited from 1996 to 1997 and a treasurer with the investment banking arm of DBS Bank from 1994 to 1996. Mr Tan Soo Kiat has more than 16 years of experience in the banking and finance industry. Prior to working in Singapore, he was a senior internal auditor and marketing/loans manager for Bank of Western Australia Ltd. in Australia from 1990 to 1994 and a senior internal auditor for Challenge Bank Ltd. in Australia from 1988 to 1990. Mr Tan Soo Kiat 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 Soo Kiat is also an independent director of a number of companies listed on the SGX-ST.

DIRECTORS, MANAGEMENT AND STAFF

Dr Ong Seh Hong is our Independent Director and was appointed to our Board on 8 February 2011. He is currently a Senior Consultant Psychiatrist at Alexandra Healthgroup and also a Member of Parliament for the Marine Parade Group Representation Constituency. From 2000 to 2009, he was the Clinical Director and Chief Operating Officer of Ren Ci Hospital & Medicare Centre and Ren Ci Community Hospital where he was responsible for overseeing the setting up and operation (including clinical and non-clinical areas) of hospital services. From 1997 to 2000, he was Vice President (Corporate Services) GIC Special Investment Pte Ltd, a unit of the Government of Singapore Investment Corporation, where he was responsible for the human resources, administrative and finance (non-investment) functions of the subsidiary. Dr Ong Seh Hong 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 Seh Hong also obtained a Master of Science (Applied Finance) Degree from the National University of Singapore in 1999.

Our Independent Directors, Mr Tan Soo Kiat and Dr Ong Seh Hong have prior experience as directors of public listed companies in Singapore. Our NED, Mr Yeo Chien Sheng, Nelson has prior experience as a director of public listed companies in Philippines and the United Arab Emirates.

Our Executive Directors, Mr Lim Tze Jong, Mr Lim Tjew Yok and Mr Varghese John do not have prior experience as director of public listed companies. They have attended briefings and courses in relation to the roles and responsibilities of a director of a listed company in December 2010.

The list of past and present directorships of our Directors, excluding those held in our Company for the past five years is set out below:-

Directors	List of Present Directorships	List of Past Directorships
Lim Tze Jong	<p><u>Group Companies</u></p> <p>DM Engineering Singapore DM Engineering Malaysia DM Corrosion DM Fabricators DM Marine DM Offshore DMP Engineering Singapore DM Engineering Hong Kong</p> <p><u>Other Companies</u></p> <p>Jobel Holdings Private Limited Prominent Land Pte. Ltd.</p>	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Dyna-Mac International (Australia) Pty Ltd. DB Prominent Homes Pty. Ltd. Dyna-Mac Global Pacific Limited</p>
Varghese John	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Nil</p>	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Nil</p>
Lim Tjew Yok	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Nil</p>	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Speedgrow International Pte Ltd</p>

DIRECTORS, MANAGEMENT AND STAFF

Directors	List of Present Directorships	List of Past Directorships
Yeo Chien Sheng, Nelson	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Arab Heavy Industries P.J.S.C. Keppel Shipyard Limited Keppel FELS Limited Keppel Marine Agencies International LLC KS Investments Pte Ltd KSI Production Pte Ltd DPS Bristol (Holdings) Limited Keppel Energy Pte Ltd PV Keez Pte Ltd Offshore Technology Development Pte Ltd Keppel SMIT Towage Pte Ltd Maju Maritime Pte Ltd Keppel Philippines Marine, Inc. Keppel Batangas Shipyard Subic Shipyard & Engineering, Inc. Keppel Singmarine Pte Ltd Marine Technology Development Pte Ltd Greenwood Pte. Ltd.</p>	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Blastech Abrasives Pte Ltd Alpine Engineering Services Pte Ltd Keppel Tuas Pte Ltd Keppel Marine Agencies Inc</p>
Tan Soo Kiat	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Intergate Pte Ltd Arana Assets Limited Luye Pharma Group Ltd. Nam Lee Pressed Metal Industries Limited Nico Steel Holdings Limited Sinobest Technology Holdings Ltd. Asiasons WFG Financial Ltd. (formerly known as Westcomb Financial Group Limited)</p>	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>China Precision Technology Ltd. Sanctuary Savers Inc. China Lifestyle Food and Beverages Group Limited Achieve Glory Limited Eco Water Limited Cyber Village Holdings Limited</p>
Dr Ong Seh Hong	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Zhongmin Baihui Retail Group Ltd.</p>	<p><u>Group Companies</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Chinese Development Assistance Council</p>

We note that Mr Tan Soo Kiat, who will be the chairman of the Audit Committee, holds independent directorships in five other SGX-listed companies. Mr Tan Soo Kiat, who does not hold any full-time executive position currently, is confident that he would be able to devote sufficient time and attention to the affairs of the Group. Mr Tan Soo Kiat has more than 16 years of experience in the banking and finance industry. Mr Tan Soo Kiat 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. The Executive Directors are of the view that the participation of Mr Tan Soo Kiat on the Board will be invaluable given the depth of his experience as an independent director of various SGX-listed companies. Based on the above, the Issue Manager has no cause to doubt that Mr Tan Soo Kiat would be able to effectively discharge his duties as Independent Director of the Company.

DIRECTORS, MANAGEMENT AND STAFF

EXECUTIVE OFFICERS

The day to day operations of our Group are entrusted to our Executive Directors. Our Executive Directors are also assisted by experienced and qualified Executive Officers whose particulars are detailed below:-

Name	Age	Address	Current Occupation
Tiong Sai Lan	47	213, Bedok South Avenue 1, #03-24 Singapore 469337	CFO
Teo Boon Hwee	54	11 Jalan Kuang, Singapore 488870	Vice President (Commercial)
Lee Poh Tong	44	Blk 273, Pasir Ris Street 21, #04-506 Singapore 510273	Vice President (Sub-contract & Procurement)
Chong Swee Lee	43	79 Sennett Terrace, Singapore 466753	Vice President (Human Resource and Administration)

Our Vice-President (Commercial), Mr Teo Boon Hwee is the brother-in-law of our Executive Chairman and CEO, Mr Lim Tze Jong, and our Executive Director and Vice President (Operations), Mr Lim Tjew Yok.

Save as disclosed above, none of our Directors is related to each other or the Substantial Shareholders.

The business and working experience and areas of responsibility of our Executive Officers are as follows:-

Ms Tiong Sai Lan, our CFO, joined our Group in 2006. She is responsible for overseeing the accounting, finance and corporate development matters of the Group. Prior to joining our Group, Ms Tiong Sai Lan worked as an accounting manager with Fritz Logistics Pte Ltd from 1996 to 1997 and as a finance manager with JRP Preston Pte Ltd from 1997 to 1998. Thereafter, she joined Meiban Group Ltd in 1998 as its financial controller. Ms Tiong Sai Lan's duties during her employment with Meiban Group Ltd. from 1998 to 2003 include covering the group consolidation of accounts, financial performance review, corporate finance and corporate secretarial work, SGX compliance work as well as taxation and audit matters. From 2004 to 2006, Ms Tiong Sai Lan provided accounting, taxation and corporate secretarial services under a sole proprietorship, Abacus Management Services. She has been a member of the Institute of Certified Public Accounts of Singapore since 1999 and a fellow member of the Association of Chartered Certified Accountants since 2002.

Mr Teo Boon Hwee, our Vice-President (Commercial), joined our Group as general manager of the commercial department in 1998. Mr Teo Boon Hwee is in charge of commercial activities of the Group, as well as co-ordination and administration of overseas markets. He liaises with our customers on commercial terms and provides leadership for tenders and customer relationships. Mr Teo Boon Hwee has more than 13 years of experience in marketing, sourcing and procurement and prior to joining our Company, he was the general manager of Sincoop International (HK) Limited from 1987 to 1993 and the executive director of Sincoop International (Taiwan) Limited from 1988 to 1993. Thereafter, he was the Commercial Manager of Verwin Company Limited and Christabel Trading Limited from 1993 to 1995, general manager of Pinnacles Distributor (S) Pte. Ltd. from 1996 to 1997 and a director of Speedgrow Engineering & Trading Pte. Ltd. from 1997 to 1998. Mr Teo Boon Hwee 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.

DIRECTORS, MANAGEMENT AND STAFF

Mr Lee Poh Tong is our Vice-President (Sub-Contract & Procurement). Mr Lee Poh Tong joined our Group in 1997 and was promoted to the current position in 1 June 2009. Mr Lee Poh Tong is responsible for the procurement function of the Group as well as matters relating to sub-contract and engagement of services for the operations of the Group. Prior to joining our Group, from 1990 to 1992, he was a sales executive with AGE Systems Machinery Pte Ltd where he was involved in sales of pneumatic component and industrial automation systems. From 1992 to 1993, he was a sales executive at EPA Automation Pte Ltd where he was involved in sales of pneumatic component, pneumatic control and industrial automation systems. From 1993 to 1997, Mr Lee Poh Tong was a sales executive with Kong Shiang Engineering.

Ms Chong Swee Lee is our Vice-President (Human Resource & Administration). Ms Chong Swee Lee joined our Group in February 2009 and is responsible for human resources and office administrative functions of our Group. Ms Chong Swee Lee has over 18 years of experience in human resources management and has experience in the area of employee compensation and benefits. Prior to joining our Group, from 2002 to 2008, she was with Hewitt HR Delivery Service Pte Ltd where she held various positions including human resource manager and multi-process human resource outsourcing project consultant. From 2001 to 2002, she was a senior human resources executive with SAP Asia Pte Ltd. From 1998 to 2001, she was a senior officer and then an assistant manager (human resource/board secretariat) with A*STAR (formerly known as the National Science and Technology Board) and then compensation and benefits manager with Raffles International Limited. Ms Chong Swee Lee 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 Swee Lee is a Professional Member of Singapore Human Resource Institute.

The list of present and past directorships of our Executive Officers for the past 5 years is set out below:-

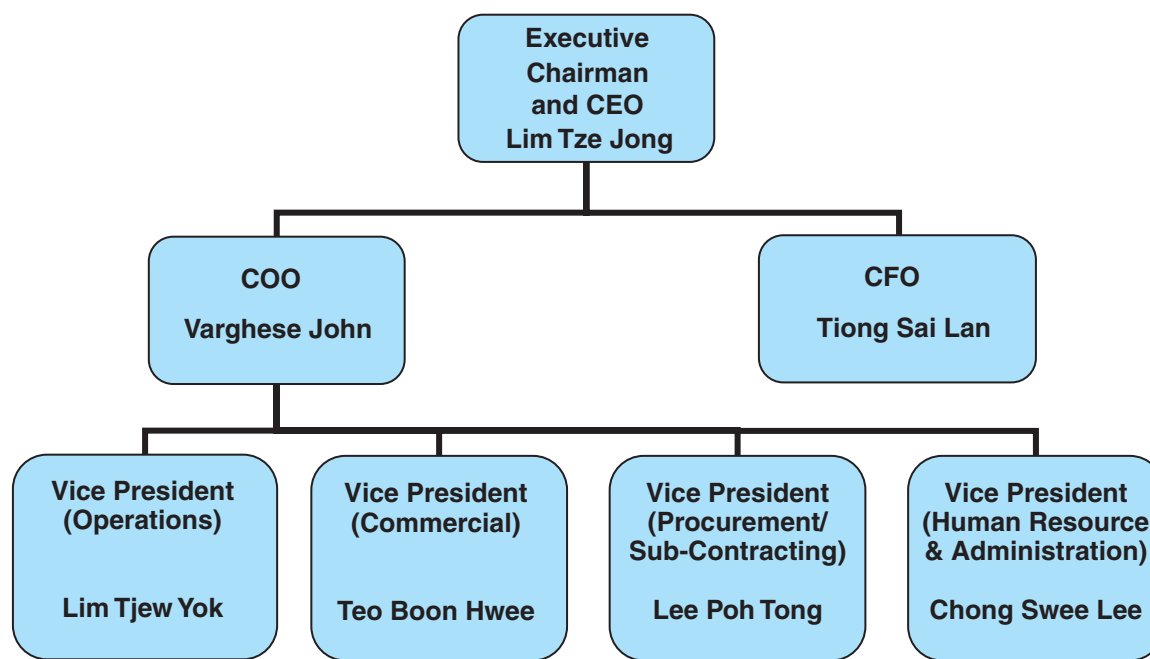
Executive Officers	List of Present Directorships	List of Past Directorships
Tiong Sai Lan	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	DMP Engineering Singapore
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil
Teo Boon Hwee	<u>Group Companies</u>	<u>Group Companies</u>
	DMP Engineering Singapore DM Engineering Hong Kong	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Eminent Offshore and Heavy Engineering Sdn Bhd	The Pinnacle Distributors Pte Limited
Lee Poh Tong	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil
Chong Swee Lee	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil

DIRECTORS, MANAGEMENT AND STAFF

Save for the appointment of our NED, Mr Yeo Chien Sheng, Nelson, to the best of our knowledge and belief, there are no arrangements or undertakings with any customers, suppliers or others, pursuant to which any of our Directors and Executive Officers was appointed.

MANAGEMENT REPORTING STRUCTURE

Our management reporting structure as at the Latest Practicable Date is set out as follow:-



REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

The compensation paid to our Directors and our Executive Officers (including benefits-in-kind and bonuses) for FY2009 and FY2010 and the estimated compensation to be paid to our Directors and our Executive Officers for FY2011 (on an aggregate basis and in remuneration bands) are as follows:-

Directors	FY2009	FY2010	Estimated amount for FY2011 ⁽⁵⁾
Lim Tze Jong	Band B ⁽²⁾	Band C	Band C ⁽³⁾
Lim Tjew Yok	Band A ⁽¹⁾	Band B	Band B
Varghese John	Band A	Band B	Band B
Yeo Chien Sheng, Nelson	— ⁽⁴⁾	— ⁽⁴⁾	Band A
Tan Soo Kiat	— ⁽⁴⁾	— ⁽⁴⁾	Band A
Dr Ong Seh Hong	— ⁽⁴⁾	— ⁽⁴⁾	Band A
Executive Officers			
Teo Boon Hwee	Band A	Band B	Band B
Tiong Sai Lan	Band A	Band B	Band B
Lee Poh Tong	Band A	Band A	Band A
Chong Swee Lee	Band A	Band A	Band A

DIRECTORS, MANAGEMENT AND STAFF

Notes:-

- (1) Band A means from \$0 up to \$249,999.
- (2) Band B means from \$250,000 up to \$499,999.
- (3) Band C means more than \$499,999.
- (4) Not in our employment during the relevant periods.
- (5) Excludes bonus payable and profit sharing.

Save as disclosed under the section entitled “Directors, Management and Staff - Service Agreement” of this Prospectus, no compensation was paid or is to be paid to any of our Directors or Executive Officers in FY2009 or FY2010, and no compensation is expected to be paid to any of our Directors or Executive Officers in FY2011 pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement.

No compensation was paid or is to be paid in the form of stock options to any of our Directors, Executive Officers or any of our employees.

As at the Latest Practicable Date, save as required for compliance with the applicable laws, we have not set aside or accrued any amounts for our Directors and Executive Officers to provide for pension, retirement or similar benefits.

REMUNERATION OF EMPLOYEES RELATED TO OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the date of this Prospectus, there are two employees who are related to our Directors and Substantial Shareholder, namely, Phee Eng Hong (our Senior Material Controller) and Renjith John Mathew (Senior Structure Engineer). Phee Eng Hong is the brother-in-law of our Executive Chairman and CEO, Lim Tze Jong and our Executive Director and Vice President (Operations), Lim Tjew Yok. Renjith John Mathew is the nephew of our Executive Director and COO, Mr Varghese John. The aggregate compensation paid to Phee Eng Hong and Renjith John Mathew (including benefits-in-kind and bonuses) for FY2009 and FY2010 was less than \$250,000. The basis of determining the remuneration of these related employees is the same as the basis of determining the remuneration of other unrelated employees.

The remuneration of the employees who are related to our Directors and Controlling Shareholders (if any) shall be subject to the annual review and majority approval of the Remuneration Committee 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. Remuneration of employees who are related to Directors and Controlling Shareholders (if any) and whose remuneration exceed \$150,000 during the year will be disclosed in our annual reports. Any bonus, pay increase and/or promotion for these related employees will also be subject to the review and approval of our Remuneration Committee. In addition, any new employment of related employees and the proposed terms of their employment will also be subject to the review and approval of our Nominating Committee. In the event that a member of our Remuneration Committee or Nominating Committee is related to the employee under review, he will abstain from participating in the review.

SERVICE AGREEMENT

Our Company has entered into a separate service agreement (“Service Agreement”) with Mr Lim Tze Jong, our Executive Chairman and CEO for an initial period of three years (the “Initial Term”) commencing with effect from the date of our listing on the SGX-ST, subject to automatic renewal for another three-year term on the same terms and conditions upon the expiry thereof unless either party notifies the other party by giving not less than six months’ notice in writing. We may also terminate the Service Agreement without notice upon the occurrence of certain events such as gross misconduct, bankruptcy or criminal conviction.

DIRECTORS, MANAGEMENT AND STAFF

Pursuant to the terms of the Service Agreement, Mr Lim Tze Jong will receive a monthly salary of \$80,000 and a fixed bonus equivalent to four months' basic salary (comprising an annual wage supplement of one month's basic salary and a bonus of three months' basic salary) upon completion of each calendar year of service, or to be pro-rated accordingly if he leaves our Company before the expiry of any calendar year.

Apart from the above, Mr Lim Tze Jong will be entitled to receive an annual incentive bonus (the "Incentive Bonus") calculated based on the audited PBT of our Group. If his employment with our Company is for less than a full year, the Incentive Bonus for that year shall be apportioned in respect of the actual number of days of his respective employment on the basis of a 365-day calendar year. "PBT" for the purposes of computing the Incentive Bonus means the consolidated audited profit of our Group before deducting income tax expense and minority interests and before paying the Incentive Bonus as defined in the Service Agreement for any financial year.

The entitlement of Mr Lim Tze Jong to the Incentive Bonus is set out below:-

<u>PBT</u>	<u>Incentive Bonus</u>
Up to and including \$33 million	Nil
Between \$33 million to \$40 million	1% of PBT
Between \$40 million to \$50 million	1.5% of PBT
Above \$50 million	2% of PBT

All travelling, accommodation, entertainment and other out-of-pocket expenses reasonably incurred by Mr Lim Tze Jong in the reasonable performance of his duties will be borne by our Group.

Had the Service Agreement been in effect for FY2010, the aggregate remuneration (including contributions, to CPF and other benefits, if any) payable to Mr Lim Tze Jong would have been approximately \$1.3 million instead of \$1.1 million and the consolidated profit before income tax would be approximately \$31.9 million instead of \$32.1 million.

Save as disclosed above, there is no other existing or proposed service agreements between our Company or our subsidiary companies and any of our Directors or Executive Officers. There is no existing or proposed service agreement entered into or to be entered into by our Directors with our Group which provides for benefits upon termination of employment.

Our Remuneration Committee (save for Mr Lim Tze Jong) having taken into account the contribution of our Chairman and CEO, Mr Lim Tze Jong, to our Group's growth and success over the years, as well as his experience in the business, is of the view that his remuneration under the terms of the Service Agreement is commensurate with his role and responsibilities.

STAFF

As at the Latest Practicable Date, we have 679 employees. We do not employ a significant number of temporary employees. We do not experience any significant seasonal fluctuations in our number of full time employees. Our employees are not covered by any collective bargaining agreements and are not unionised.

DIRECTORS, MANAGEMENT AND STAFF

However, DM Engineering Singapore has on 23 April 2009 entered into a Memorandum of Understanding with the Shipbuilding and Marine Engineering Employees' Union (the "Union"), whereby the Union has acknowledged that DM Engineering Singapore provides a competitive compensation and benefit package to our employees in the marine industry, and therefore the Union will not engage the management of DM Engineering Singapore in collective bargaining or enter into negotiations with the management of DM Engineering Singapore for a collective agreement (as defined under the Industrial Relations Act (Chapter 136)). DM Engineering Singapore, on the other hand will ensure, *inter alia*, that it will continue to provide competitive employment terms to its employees and look after their well being in line with the norms and practices of the marine industry in Singapore.

The relationship and co-operation between the management and staff have been good and are expected to continue to remain so in the future. There has not been any incidence of work stoppages or labour disputes which affect our operations.

The functional and geographical distribution of our employees as at the end of FY2008, FY2009, FY2010 and HY2011 are as follows:-

Segmented by Job Function	Number of Employees ⁽¹⁾			
	FY2008	FY2009	FY2010	HY2011
Senior Management ⁽²⁾	6	6	7	7
Commercial	20	18	21	15
Procurement and Sub-contracting	6	7	7	8
Finance and Payroll	8	12	12	9
Human Resource and Administration	15	15	14	14
Information Technology	3	3	2	3
Designer and Draftsmen	22	19	16	14
Quality Assurance and Control	27	22	34	29
Safety and Security	29	31	45	41
Production (Staff)	103	118	155	150
Production (Tradesmen)	372	349	434	403
Total	611	600	747	693

Notes:-

- (1) All of our employees are based in Singapore.
- (2) Management includes Executive Directors and Executive Officers.

EMPLOYEE SHARE SCHEMES

In conjunction with our listing on the SGX-ST, we have adopted the DMSAS and the DMSOS both of which were approved at an Extraordinary General Meeting of our Shareholders held on 16 February 2011. The rules of DMSAS and DMSOS are set out in Appendix F and Appendix G of this Prospectus, respectively.

Both the DMSAS and the DMSOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. Both the DMSAS and DMSOS form an integral and important component of our compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of our Company and/or our Group.

DIRECTORS, MANAGEMENT AND STAFF

The DMSAS and DMSOS are designed to complement each other in our Company's efforts to reward, retain and motivate employees to achieve better performance. The aim of implementing more than one incentive plan is to grant our Company the flexibility in tailoring reward and incentive packages suitable for each group of the participants by providing an additional tool to motivate, reward and retain staff members so that our Company can offer compensation packages that are competitive.

The focus of the DMSAS is principally to target management in key positions who are able to drive the growth of the Company through creativity, firm leadership and excellent performance. The number of Shares to be granted under the DMSAS is determined by performance targets. The Company believes that it will be more effective than merely having pure cash bonuses in place to motivate executives to work towards determined goals.

In contrast, the DMSOS is meant to be more of a "loyalty" driven time-based incentive program. The DMSOS will be available to all employees and will function as a generic share-based incentive scheme. The DMSOS will thus be complementary to the DMSAS.

DYNA-MAC SHARE AWARD SCHEME

The DMSAS conforms to the requirements as set out in Chapter 8 Part VIII of the Listing Manual. A summary of the rules of the DMSAS is set out below. Capitalised terms as used throughout this section, unless otherwise defined in the section entitled "Definitions" of this Prospectus, shall bear the meanings as defined in Appendix F of this Prospectus.

As at the Latest Practicable Date, no Award has been granted under the DMSAS.

Objectives of and rationale for the DMSAS

The objectives of the DMSAS are as follows:-

- (a) to motivate the Selected Persons to achieve performance targets and to maintain a high level of contribution to our Group;
- (b) to retain key employees whose contributions are essential to the long term growth and profitability of our Group;
- (c) to instil loyalty to, and a stronger identification by the Selected Persons with the long-term prosperity of our Group;
- (d) to give recognition to the contribution of the Selected Persons to the success of our Group and motivate them to continue to contribute and grow with our Group;
- (e) to attract potential employees with relevant skills to contribute to our Group and to create value for the Shareholders;
- (f) to align the interests of the Selected Persons with the interests of the Shareholders; and
- (g) to inculcate in all Selected Persons a stronger and more lasting sense of identification with our Group.

The rationale for adopting the DMSAS is to give our Company greater flexibility to align the interests of employees, especially key executives, with those of the Shareholders. It is also intended to reward, retain and motivate employees to achieve superior performance which creates and enhances economic value for the Shareholders. A performance target based Award may be granted.

As the Shares will be issued free under the DMSAS, the Selected Persons would receive the same benefit from an Award in respect of fewer Shares as they would receive from if share options were granted instead in respect of a larger number of Shares. The DMSAS would therefore allow our Company to provide the incentive to employees while reducing the dilutive effect on Shareholders.

DIRECTORS, MANAGEMENT AND STAFF

The Awards given to a particular Selected Person will be determined at the discretion of the Committee, who will take into account factors such as the Selected Person's capability, scope of responsibility, skill and vulnerability to leaving the employment of our Group. In deciding on an Award to be granted to a Selected Person, the Committee will also consider all aspects of the compensation and/or benefits given to the Selected Person and such other share-based incentive schemes of our Company, if any. The Committee may also set specific criteria and performance targets for each of its business units, taking into account factors such as (i) our Company's and our Group's business goals and directions for each financial year; (ii) the Selected Person's actual job scope and responsibilities; and (iii) the prevailing economic conditions.

Summary of the DMSAS

The principal terms of the DMSAS are summarised and set out below and the rules of the DMSAS are set out in Appendix F of this Prospectus.

Eligibility

The following persons shall be eligible to participate in the DMSAS:-

- (a) Group Employees who have attained the age of 21 years on or before the Date of Grant;
- (b) Group Executive Directors; and
- (c) Group NEDs (including Independent Directors) who, in the opinion of the Committee, have contributed or will contribute to the success of our Group.

Group Employees, Group Executive Directors and Group NEDs who are also Controlling Shareholders or Associates of a Controlling Shareholder are also eligible to participate in the DMSAS provided that the terms of each grant and the actual number of Awards granted under the DMSAS to a Selected Person who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in a separate resolution.

The participation of such eligible Controlling Shareholders or Associates of a Controlling Shareholder is subject to the following:-

- (1) the aggregate of the number of Shares comprised in Awards granted to Controlling Shareholders or Associate(s) of a Controlling Shareholders under the DMSAS shall not exceed 25% of the aggregate of the total number of Shares (comprised in Awards) which may be granted under the DMSAS; and
- (2) the aggregate of the number of Shares in respect of Awards granted to each Controlling Shareholder or Associate(s) of a Controlling Shareholder shall not exceed 10% of the total number of Shares (comprised in Awards) which may be granted under the DMSAS.

Awards

Awards represent the right of a Selected Person to receive fully paid Shares free of charge, upon the Selected Person achieving prescribed performance targets. Performance targets set under the DMSAS are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of performance targets to be set include targets based on criteria such as sales growth, earnings per share, share price and return on investment.

The selection of a Selected Person and the number of Shares which are the subject of each Award to be granted to a Selected Person in accordance with the DMSAS shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance, years of service and potential for future development, his contribution to the success and development of our Group and the extent of effort required to achieve the performance target within the performance period.

DIRECTORS, MANAGEMENT AND STAFF

The Committee shall decide, in relation to each Award to be granted to a Selected Person:-

- (a) the date on which the Award is to be vested;
- (b) the number of Shares which are the subject of the Award;
- (c) the prescribed performance targets;
- (d) the prescribed vesting periods;
- (e) the performance period during which the prescribed performance target(s) are to be satisfied;
- (f) the extent to which the Shares under that Award shall be released on the prescribed performance targets being satisfied (whether fully or partially) or exceeded, as the case may be, at the end of the prescribed performance period and upon the expiry of the prescribed vesting period. No Shares under the Award shall be released for the portion of the prescribed performance targets which is not satisfied by the Selected Person at the end of the prescribed performance period and upon the expiry of the prescribed vesting period; and
- (g) such other conditions which the Committee may determine in relation to that Award.

Awards may be granted at any time in the course of a financial year. An Award letter confirming the Award and specifying, *inter alia*, in relation to the Award, number of Shares which are the subject of the Award, the prescribed performance targets and the performance period during which the prescribed performance targets are to be satisfied, and the vesting period (the length of which will be determined on a case-by-case basis by the Committee), will be sent to each Selected Person as soon as reasonably practicable after the making of an Award.

Special provisions for the vesting and lapsing of Awards apply in certain circumstances, including the following:-

- (1) the termination of the employment of a Selected Person;
- (2) the ill health, injury, disability or death of a Selected Person;
- (3) the bankruptcy of a Selected Person;
- (4) the misconduct of a Selected Person; or
- (5) a take-over, winding-up or reconstruction of our Company.

Size and duration of the DMSAS

The aggregate number of new Shares which may be issued or Shares which may be delivered pursuant to Awards granted under the DMSAS, when added to the total number of new Shares issued and issuable or existing Shares delivered and deliverable in respect of:-

- (a) all Awards granted under the DMSAS;
- (b) all Options granted under the DMSOS; and
- (c) all Shares, options or awards granted under any other share scheme of our Company then in force,

shall not exceed 15% of the issued share capital of our Company (excluding treasury shares) on the day preceding the relevant date of the Award.

DIRECTORS, MANAGEMENT AND STAFF

The Company is of the view that the size of the DMSAS is sufficient to give the Committee flexibility to grant Awards in view of the likely number of Selected Persons, the total number of Shares in the capital of our Company and the duration of the DMSAS. The size of the DMSAS allows a larger pool of persons to participate in the DMSAS and give greater flexibility to our Company in the structuring of incentive packages. The number of Selected Persons is expected to grow over the years as our Company has a long-term expansion plan where more employees may be employed and be eligible to participate in the DMSAS. In addition, our Group, in line with its goal of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool.

The DMSAS shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing from the date the DMSAS is adopted by our Company in general meeting, provided always that the DMSAS may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the DMSAS, any Awards made to Selected Persons prior to such expiry or termination will continue to remain valid.

Operation of the DMSAS

Subject to prevailing legislation and SGX-ST Guidelines, our Company will have the flexibility to deliver Shares to Selected Persons upon vesting of their Awards by the following means as it deems fit in its sole and absolute discretion:-

- (a) the allotment and issue to each Selected Person of the number of Award Shares, deemed to be fully paid or credited upon their allotment and issuance;
- (b) delivering existing Shares to the Selected Person, whether such existing Shares are acquired pursuant to a share purchase mandate or (to the extent permitted by law) held as treasury shares or otherwise; and/or
- (c) payment of the aggregate Market Price of the Shares in cash in lieu of allotment or transfer.

In determining whether to issue Award Shares, to deliver existing Shares and/or pay the aggregate Market Price in cash to Selected Persons upon release of their Awards, our Company shall take into account factors such as (but not limited to) the amount of cash available, the number of Shares to be delivered, the prevailing Market Price of the Shares and the cost to our Company of the various modes of settlement.

New Shares allotted and issued on the release of an Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

The “aggregate Market Price” of the Shares to be paid to a Selected Person in lieu of allotment or transfer, shall be calculated in accordance with the following formula:-

$$A = B \times C$$

Where:-

- A is the aggregate Market Price of the Shares to be paid to the Selected Person in lieu of all or some of the Shares to be issued or transferred upon the Release of an Award;
- B is the Market Price of each Share; and
- C is such number of Shares (as determined by the Committee in its sole and absolute discretion) to be issued or transferred to a Selected Person upon the release of an Award in accordance with the rules of the DMSAS.

DIRECTORS, MANAGEMENT AND STAFF

The Committee shall have the discretion to amend or waive the prescribed performance target, the prescribed performance period and the prescribed vesting period or any of them in respect of any Award and the Committee shall notify the Selected Person of such amendment or waiver (but accidental omission to give notice to any Selected Person(s) shall not invalidate any such amendment or waiver).

Variation of Capital

If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or distribution) shall take place, then:-

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
 - (b) the class and/or number of Shares over which future Awards may be granted under the DMSAS,
- shall be adjusted in such manner as the Committee may determine to be appropriate.

Unless the Committee considers an adjustment to be appropriate:-

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the increase in the number of issued Shares as a consequence of the exercise of options or other convertibles entitling holders of such options or convertibles to acquire Shares in the capital of our Company;
- (c) the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; and
- (d) the increase in the issued share capital of our Company as a consequence of the delivery of Award Shares pursuant to the vesting of the Awards from time to time by our Company or through any other share-based incentive schemes implemented by our Company,

shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the auditors (acting only as experts and not arbitrators) to be in their opinion, fair and reasonable.

Modifications or Alterations to the DMSAS

The rules of DMSAS may be modified and/or altered from time to time by a resolution of the Committee, subject to compliance with the Listing Manual and such other applicable regulations by any authority as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration except with the written consent of such number of Selected Persons under the DMSAS who, if their Awards were released to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued in full pursuant to all outstanding Awards under the DMSAS.

No alteration shall be made to the rules of the DMSAS to the advantage of the Selected Persons except with the prior approval of Shareholders in general meeting.

DIRECTORS, MANAGEMENT AND STAFF

Financial Effects of the DMSAS

Cost of Awards

As Selected Persons are not required to pay for the grant of the Awards, such grant of Awards will have a financial effect on our Company.

The Singapore Financial Reporting Standards (“FRS”) 102 issued by the Council on Corporate Disclosure and Governance is effective for the financial statements of our Company for the financial year beginning 1 January 2005. FRS 102 requires the recognition of an expense in respect of Awards granted under the DMSAS. The expenses will be based on the fair value of the Awards at the date of the grant and will be recognised over the expected vesting period. However, no expense will ultimately be recognised for any Awards granted that do not vest because of failure to satisfy the vesting conditions.

In accordance with FRS102 “Share-based payment”, paragraph 15, our Company shall account for the grant of award during the vesting period, with a corresponding increase in equity. As per FRS102, paragraph 19, on a cumulative basis, no amount is recognised for services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition. Also, as per FRS102, paragraph 20, our Company shall recognise an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary. Therefore, the grant of Award is recognised in the income statement over the expected vesting period. If an employee leaves before end of vesting period, our Company should revise the estimated number of equity instruments expected to vest.

Details of the financial effects of the DMSAS

The following sets out the financial effects of the DMSAS:-

(a) Share capital

The DMSAS will result in an increase in our Company’s issued share capital only if new Shares are issued to Selected Persons. The number of new Shares issued will depend on, *inter alia*, the size of the Awards granted under the DMSAS. However, if existing Shares are purchased for delivery to Selected Persons in lieu of issuing new Shares to Selected Persons, the DMSAS will have no impact on our Company’s issued share capital.

(b) NTA

As described below, the DMSAS will result in a charge to our Company’s and Group’s income statement equal to the market value at which the new Shares are issued or the existing Shares are purchased to meet delivery under the Awards. If new Shares are issued under the DMSAS, the NTA of our Group and our Company would decrease by the amount charged. If existing Shares are purchased for delivery to Selected Persons, the NTA of our Group and our Company would decrease by the amount charged.

Although the DMSAS will result in a charge to our income statement of our Company and the Group, it should be noted that Awards are granted only on a selective basis and will be granted to Selected Persons whom our Company believes would have contributed or will contribute significant value in its success including financial performance. In particular, the grant of Awards and delivery of Shares to Selected Persons of the DMSAS, are contingent upon the Selected Persons meeting prescribed Performance Targets. Therefore Selected Persons would have contributed to or will contribute to significant value add to the NTA of our Company and the Group before the Awards are granted and Shares delivered.

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(c) EPS

The DMSAS will result in a charge to earnings equivalent to the market value at which the existing Shares are purchased or the market value on the date at which new Shares are issued under the Awards. Although the DMSAS will have a dilutive impact (to the extent that new Shares are issued pursuant to the DMSAS) on the EPS of our Company and our Group, it should again be noted that the delivery of Shares to Selected Persons under the DMSAS will generally be contingent upon the Selected Persons meeting the prescribed performance targets and conditions. Accordingly, the earnings of our Company and the Group should have grown before the Awards are granted and Shares delivered.

(d) Dilutive impact

It is expected that any dilutive impact of the DMSAS on the NTA and the EPS would not be significant.

Rationale for participation of Controlling Shareholders and their Associates

Although the Controlling Shareholders of our Company or their Associates may already have shareholding interests in our Company, the extension of the DMSAS to include them ensures that they are equally entitled, with other eligible directors and employees of our Group and Associated Companies who are not Controlling Shareholders of our Company or their associates, to take part and benefit from this system of remuneration. We are of the view that our Company should have a fair and equitable system to reward eligible Directors and employees who have made and continue to make important contributions to the long-term growth of our Group and Associated Companies notwithstanding that they are Controlling Shareholders of our Company or their associates.

Specific approval of independent Shareholders is required for the participation of Controlling Shareholders of our Company or their Associates as well as the actual number of Shares to be awarded under the DMSAS. In seeking such independent Shareholders' approval, clear justification as to their participation and number of Shares to be granted to the Controlling Shareholders or their associates will be provided. Accordingly, our Company is of the view that there are sufficient safeguards against any abuse of the DMSAS resulting from the participation of Controlling Shareholders of our Company or their associates.

As at the date of this Prospectus, Mr Lim Tze Jong is the only Controlling Shareholder of our Company who is eligible to participate in the DMSAS, subject to independent Shareholders' approval.

Rationale for participation of Mr Lim Tze Jong

Mr Lim Tze Jong is the Executive Chairman and CEO of our Company and has been responsible for the overall management, strategic planning and direction of our Group.

Mr Lim Tze Jong provides leadership, management skills, business networks and market contacts to our Company and/or our Group and has played a pivotal role in coordinating efforts and providing strategic inputs for the strategic growth and business direction to increase the value of our Company's overall business through expanding the customer base, re-engineering the work process to improve efficiency, setting service quality standards and investments.

Our Directors believe that there is substantial potential future development and contribution that may be made by Mr Lim Tze Jong towards steering our Group to be a leader in our industry and towards enhancing the competitiveness of our Group. For these reasons, our Directors consider his experience in and contribution towards the growth of our Company to be invaluable.

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Our Directors are of the view that the remuneration package of Mr Lim Tze Jong is fair given his contributions to our Group. The extension of the DMSAS to Mr Lim Tze Jong is consistent with our Company's objectives to motivate its employees to achieve and maintain a high level of performance and contribution which is vital to the success of our Company. Although Mr Lim Tze Jong already has shareholding interests in our Company, the extension of the DMSAS to him will ensure that he is equally entitled, with the other employees who are not Controlling Shareholders, to take part in and benefit from this system of remuneration, thereby enhancing his long term commitment to our Company. For the above reasons, our Directors believe that Mr Lim Tze Jong deserves, and should be allowed to participate in the DMSAS.

The Awards to be granted to Mr Lim Tze Jong will be determined at the absolute discretion of the Committee, taking into account, his performance, years of service and potential for future development and his contribution to the success and development of our Group. The Committee may also set specific criteria and performance targets, taking into account factors such as (i) our Company's and our Group's business goals and directions for each financial year and (ii) the prevailing economic conditions. Examples of performance targets to be set include targets based on criteria such as sales growth, earnings per share, share price and return on investment.

The Committee will consider all aspect of the compensation and/or benefits given to Mr Lim Tze Jong.

Under the Listing Manual, the specific grant of Awards to Mr Lim Tze Jong and any other Controlling Shareholders or their associates will have to be approved by independent Shareholders of our Company in general meetings.

Rationale for participation of Directors and employees of Associated Companies

It is desired that our Company should have a performance share plan which caters to our Directors and employees of our Company and/or our subsidiaries as well as persons who are not employed within our Company and/or our subsidiaries but work closely with our Company and/or our subsidiaries and who, by reason of their relationship with our Company and/or our subsidiaries, are in a position to input and contribute their experience, knowledge and expertise to the development and prosperity of our Group. Such other persons include the directors and employees of any Associated Companies.

The Company recognises that it is important to the well-being and stability of our Group that our Company acknowledges the services and contributions made by the categories of persons described above, and that our Group continues to receive their support and contributions. By implementing DMSAS, our Company will have a means of providing for those who, while they are not directors or employees of our Company and/or its Subsidiaries, are nonetheless closely associated with our Group as well as the performance of our Company through participation in the equity of our Company. It is hoped that by doing so, our Company will also strengthen its working relationships with the directors and employees of the Associated Companies by inculcating in them a stronger and more lasting sense of identification with our Group.

Rationale for participation of our Group NEDs

While the DMSAS caters principally to Group Employees, it is recognised that there are other persons who make significant contributions to our Group through their close working relationships with our Group, even though they are not employed within our Group. Such persons include our Group NEDs.

Our Group NEDs, being persons from different professions and working backgrounds, bring to our Group their wealth of knowledge, business expertise and contacts in the business community. They play an important role in helping our Group shape its business strategy by allowing our Group to draw on the backgrounds and diverse working experience of these individuals. It is desirable that Group NEDs be allowed to participate in the DMSAS to incentivise and retain them and to further align their interests with that of our Group.

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Our Directors are of the view that including our Group NEDs in the DMSAS will show our Company's appreciation for, and further motivate them in, their contribution towards the success of our Group. However, as their services and contributions cannot be measured in the same way as the full-time employees of our Group, while it is desired that participation in the DMSAS be made open to our Group NEDs, any Awards that may be granted to any such Group NED would be intended only as a token of our Company's appreciation.

For the purpose of assessing the contributions of our Group NEDs, the Committee will propose a performance framework comprising mainly non-financial performance measurement criteria such as the extent of involvement and responsibilities shouldered by our Group NEDs. In addition, the Committee will also consider the nature and extent of their input, the assistance and expertise rendered by them to the Board and the impact thereof on the growth, success and development of our Group. The Committee may, where it considers relevant, take into account other factors such as the economic conditions and our Company's performance. The Committee may also decide that no Awards shall be made in any financial year or no grant and/or Award may be made at all.

It is envisaged that the vesting of Awards, and hence the number of Shares to be delivered to our Group NEDs based on the criteria set out above will be relatively small, in terms of frequency and numbers. Further, although our Group NEDs may be appointed as members of the Committee, the rules of the DMSAS provide that a member is not to be involved in its deliberations in respect of the grant of Awards to him/her. In addition, we will ensure that the grant of Awards to NED will be such that any conflict of interests that may potentially arise is kept minimal and that the independence of the NED is not compromised. Based on these, our Directors are of the view that the participation by our Group NEDs in the DMSAS will not compromise their independent status.

Disclosures In Annual Reports

The following disclosures (as applicable) will be made by our Company in its annual report for so long as the DMSAS continues in operation:-

- (a) the names of the members of the Committee administering the DMSAS;
- (b) in respect of the following Selected Persons of the DMSAS:-
 - (i) Directors of our Company;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Selected Persons (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the vesting of Awards granted under the DMSAS which, in aggregate, represent five per cent. (5%) or more of the total number of Award Shares available under the DMSAS,

the following information:-

- (1) name of the Selected Person; and
- (2) the aggregate number of Shares comprised in Awards granted to such Selected Person under the DMSAS during the financial year under review;
- (3) the aggregate number of Shares comprised in Awards granted to such Selected Person under the DMSAS since the commencement of the DMSAS to the end of the financial year under review;
- (4) the aggregate number of Shares comprised in Awards granted to such Selected Person under the DMSAS which have vested during the financial year under review and in respect of such Awards, the proportion of Shares issued or transferred upon the release of the vested Awards; and

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- (5) the aggregate number of Shares comprised in Awards granted to such Selected Person under the DMSAS which have not been released as at the end of the financial year under review.
- (c) in relation to the DMSAS, the following particulars:-
- (i) the aggregate number of Shares comprised in Awards vested since the commencement of the DMSAS to the end of the financial year under review;
 - (ii) the aggregate number of Award Shares issued which are comprised in Awards vested during the financial year under review; and
 - (iii) the aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review.
- (d) such other information as may be required by the Listing Manual or the Act.

Abstention from Voting

Shareholders who are eligible to participate in the DMSAS shall abstain from voting on any resolution relating to the DMSAS, including but not limited to the participation by and option granted to Controlling Shareholders and their Associates.

DYNA-MAC SHARE OPTION SCHEME

The DMSOS conforms to the requirements as set out in Chapter 8 Part VIII of the Listing Manual. A summary of the rules of the DMSOS is set out below. Capitalised terms as used throughout this section, unless otherwise defined in the section entitled "Definitions" of this Prospectus, shall bear the meanings as defined in Appendix G of this Prospectus.

As at the Latest Practicable Date, no Option has been granted under the DMSOS.

Objectives of and rationale for the DMSOS

The purpose of the DMSOS is to provide an opportunity for our Directors (including NEDs) and employees of our Group to participate in the equity of our Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of our Company and our Group. The DMSOS is proposed on the basis that it is important to acknowledge the contribution made by these Directors and employees. Our Company, by adopting the DMSOS, will give these participants a stake in our Company with a view to achieving the following objectives:-

- (a) the motivation of Participants to optimise performance standards and efficiency and to maintain a high level of contribution;
- (b) the retention of key employees whose contributions are important to the long term growth and profitability of our Group;
- (c) the attraction of potential employees capable of adding value to our Company;
- (d) the aligning of the interest of participants with the interest of Shareholders; and
- (e) to instil loyalty and a stronger sense of identification with the long-term prosperity of our Group.

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We believe that by adopting both the DMSAS and the DMSOS, our Company will have greater flexibility in tailoring reward and incentive packages suitable for Participants and aligning Participants' interests with those of our Shareholders. We believe that this will in turn inculcate in Participants a stronger and more lasting sense of identification with our Group, and further strengthen our Company's competitiveness in attracting and retaining talented employees, especially employees who have the requisite knowledge, technical skills and experience whom we believe could contribute to the development and growth of our Group. Both the DMSAS and the DMSOS are intended to complement each other in our continuing efforts to reward, retain and motivate Participants to achieve better performance.

Further, while the DMSAS is aimed at motivating existing employees and officers of the Group to work towards achieving certain performance conditions, the DMSOS is aimed at enticing talented employees who have the requisite knowledge, technical skills and experience to join the Group, which will in turn contribute towards the success and development of our Group.

Summary of the DMSOS

The principal terms of the DMSOS are summarised and set out below and the rules of the DMSOS are set out in Appendix G of this Prospectus.

Participants

The following persons are eligible to participate in the DMSOS:-

- (a) confirmed full-time employees of our Group who have attained the age of 21 years on or before the offer date;
- (b) Directors of our Company and our subsidiaries who perform an executive function; and
- (c) Non-Executive Directors of our Company and our subsidiaries.

Group Employees, Group Executive Directors and Group NEDs who are also Controlling Shareholders or Associates of a Controlling Shareholder are also eligible to participate in the DMSOS provided that the terms of each grant and the actual number of Options granted under the DMSOS to a Selected Person who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in a separate resolution.

The participation of such eligible Controlling Shareholders or Associates of a Controlling Shareholder is subject to the following:-

- (1) the aggregate of the number of Shares comprised in Options granted to Controlling Shareholders or Associate(s) of a Controlling Shareholders under the DMSOS shall not exceed 25% of the aggregate of the total number of Shares (comprised in Options) which may be granted under the DMSOS; and
- (2) the aggregate of the number of Shares in respect of Options granted to each Controlling Shareholder or Associate(s) of a Controlling Shareholder shall not exceed 10% of the total number of Shares (comprised in Options) which may be granted under the DMSOS.

In addition, Controlling Shareholders or their Associates shall not participate in the DMSOS unless:-

- (3) written justification have been provided to Shareholders for their participation at the introduction of the DMSOS or prior to the first grant of Options to them;
- (4) the actual number and terms of any Options to be granted to them have been specifically approved by Shareholders who are not recipients of the Options in a general meeting in separate resolutions for each such Controlling Shareholder or his Associates; and

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- (5) all conditions for their participation in the DMSOS as may be required by the regulation of the SGX-ST from time to time are satisfied.

There shall be no restriction on the eligibility of any Participant to participate in any other Share option schemes or Share award schemes implemented or to be implemented by our Company or any member of our Group.

Administration of the DMSOS

The DMSOS is administered by the Committee. Our Directors who are in the Committee may also participate in the DMSOS but under the rules of the DMSOS and the provisions of the Listing Manual, a Director must not be involved in any deliberation or decision in respect of any Options granted or to be granted to him.

Categories of Options

The DMSOS has two (2) categories of Options, being the market price option and the incentive option:-

- (a) The market price option provides for an Option holder to exercise the Option at a price (the "Market Price") equal to the average of the last dealt prices for a Share as determined by reference to the daily official list or other publication published by the SGX-ST for the three (3) consecutive Market Days immediately preceding the offer date of that Option, rounded up to the nearest whole cent.
- (b) The incentive option provides for an Option holder to exercise the Option at a price which is set at a discount to the Market Price provided that the maximum discount shall not exceed 20% of the Market Price. The prior approval of our Shareholders in general meeting must be obtained for the making of offers and grants of Options at a discount not exceeding the maximum discount as aforesaid. However, such prior approval shall be required to be obtained only once and, once obtained, shall, unless revoked, authorise the making of offers and grants of Options at such discount for the duration of the DMSOS.

Limitations on the Size of the DMSOS

- (a) Size

The aggregate number of Shares over which Options may be granted under the DMSOS, when added to the number of Shares issued and issuable in respect of all Options granted under the DMSOS and all Awards granted under the DMSAS, shall not exceed 15% of the issued Shares of our Company on the date preceding the grant of the Option.

The size of the DMSOS is intended to support the long-term use of share options as part of our Group's overall compensation strategy. In particular, the DMSOS will provide our Company with greater flexibility to use share options as a part of the participants' remuneration package to acknowledge the participants' achievements and provide an incentive for ongoing performance.

- (b) Entitlements

The number of Shares in respect of which Options may be offered to any participant shall be determined at the absolute discretion of the Committee who shall take into account (where applicable) criteria such as rank, responsibilities, past performance, years of service, contributions to our Group and potential for future development of that participant.

Grant of Options

The Committee may grant Options at any time during the period when the DMSOS is in force. However, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, the Committee may only grant Options on or after the second Market Day from the date on which such announcement is released.

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Acceptance of Options

The grant of an Option must be accepted within 30 days from the offer date of the Option, and in any event, not later than 5.00 pm on the 30th day from such offer date. The participant must return the duly completed and signed acceptance form to us, accompanied by payment of \$1.00 as consideration.

Exercise of Options

A market price option can be exercised during the period commencing after the first anniversary of the offer date and expiring on the tenth anniversary of such offer date. An incentive option can be exercised during the period commencing after the second anniversary of the offer date and expiring on the tenth anniversary of such offer date, except that any Option granted to a participant who is a NED of our Company or our subsidiaries will expire on the fifth anniversary of such offer date. Options can be exercised in whole or in part. If any Option is exercised in part only, the balance of the Option shall continue to be exercisable until such time as it lapses in accordance with the DMSOS.

Lapse of Option

- (a) An Option shall, to the extent that it is unexercised, immediately lapse:-
- (i) subject to paragraphs (b) and (c), upon the participant ceasing to be in the full-time employment of our Group, or in the case of a participant who is a NED, ceasing to be a Director, for any reason whatsoever;
 - (ii) upon the bankruptcy of the participant or the happening of any other event which results in the participant being deprived of the legal or beneficial ownership of such Option; or
 - (iii) in the event of any misconduct on the part of the participant as determined by the Committee in its sole and absolute discretion or any breach of any regulation of our Group, such breach being regarded as serious by the Committee in its absolute discretion; or
 - (iv) upon the company by which the participant is employed ceasing to be a company within our Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within our Group.
- (b) If a participant ceases to be employed by our Group by reason of his:-
- (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (ii) redundancy;
 - (iii) retirement at or after the legal retirement age; or
 - (iv) retirement before the legal retirement age with the consent of the Committee, or any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant option period, and upon the expiry of such period, the Option shall immediately lapse.
- (c) If a participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the participant within the relevant option period, and upon the expiry of such period, the Option shall immediately lapse.

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Rights of Shares

Shares allotted and issued on the exercise of an Option shall be subject to all the provisions of the Act and the Memorandum and Articles of Association of our Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which falls on or after the relevant exercise date of the Option, and shall in all other respects rank pari passu with other existing Shares then in issue. For this purpose, "record date" means the date fixed by our Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

Duration of the DMSOS

The DMSOS shall continue in operation for a maximum duration of 10 years commencing from the date on which it was adopted by our Company. However, the DMSOS may be extended for a further period thereafter with the approval of Shareholders by way of an ordinary resolution at a general meeting and the relevant authorities.

Variation of Capital

If a variation in the issued ordinary share capital of our Company (whether by way of rights issue or capitalisation of profits or reserves, reduction of capital, subdivision, consolidation or distribution of Shares or otherwise) shall take place:-

- (a) the subscription price for the Shares, the class and/or number of Shares comprised in an Option to the extent unexercised, and/or
- (b) the class and/or number of Shares over which additional Options may be granted under the DMSOS,

shall be adjusted in such manner as the Committee may deem to be appropriate provided that (except in relation to a capitalisation issue) written confirmation is given by the auditors that such adjustment is fair and reasonable.

No adjustment shall be made in such a way that any participant receives a benefit that a Shareholder does not receive.

Upon any such adjustment being made, the Committee shall notify the participant in writing informing him of the subscription price thereafter in effect and the class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

Grant of Incentive Options

In accordance with the provisions of the Listing Manual and Rule 8.1 of the DMSOS, the making of offers and grants of incentive options at a discount not exceeding 20% of the market price is subject to the approval of Shareholders in general meeting. For the avoidance of doubt, such prior approval shall be required to be obtained only once and, once obtained, shall, unless revoked, authorise the making of offers and grants of incentive options at such discount for the duration of the DMSOS.

The ability to offer incentive options to participants of the DMSOS will allow flexibility in structuring the options. Being able to offer incentive options is important in situations where it is more meaningful for our Company to acknowledge a participant's achievement through offering incentive options rather than paying him a cash bonus, as these options operate as a form of cashless reward from our Company, with a greater potential for capital appreciation than market price options, or in situations where more compelling motivation is required in order to attract new talents into our Group and/or retain talented individuals.

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Our Company plans to exercise this discretion judiciously and the amount of discount may vary from one offer to another from time to time depending on the circumstances and on a case-by-case basis. In determining the quantum of the discount, the Committee may take into consideration such factors as it may in its absolute discretion deem appropriate, including but not limited to (i) the performance of our Company and our Group; (ii) the individual performance of an eligible person; and (iii) the contribution to the success of our Company and/or our Group by that eligible person. In measuring the performance of an eligible person, our Company will carry out an annual evaluation for each eligible person on a number of performance criteria as may be approved by the Committee. The overall evaluation results will then be scored and tabled for the Committee's discussion.

As share options become more significant components of employee remuneration packages and the grant of Options with a discount element becomes more common, the discretion to grant incentive options will provide our Company with a means to maintain the competitiveness of our compensation strategy. Therefore, our Company may utilise Options as a means to reward participants for their outstanding performance as well as to motivate them to continue to excel, and will be an additional method for compensating employees other than through salary, salary increments and cash bonuses. This will enable our Company to introduce an effective manner of motivating participants to maximise their performance, which will in turn create better value for Shareholders.

In circumstances where at the time of making of grants of Options to participants, the prevailing market price on our Shares is considered artificially high and a general discount is desirable or warranted (the rate of which will be determined by the Committee), the Committee will take into consideration factors such as the historical prices of our Shares as compared with the prevailing market price of our Shares during the price fixing period for the Options, the market comparatives and practices of other industry players and the value of the Options as a component of each participant's compensation package.

The ability to grant incentive options allows our Company to grant Options on a more realistic and economically feasible basis to the participants especially in circumstances where the market price of Shares is high due to a buoyant market or inflated share prices.

With a discretion to grant Options at market price or at a discount, our Company would be able to utilise up to the maximum discount allowed for Options to structure remuneration packages to respond fairly rapidly to our employees' circumstances, the market conditions and practices and the economic situation at the time of granting Options. For example, incentive options may be used to compensate employees and keep them motivated during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements.

Our Company believes that the maximum 20% discount to the market price of our Shares is sufficient to allow for flexibility in the DMSOS while minimising the potential dilutive effect to our Shareholders arising from the DMSOS.

Financial Effects of the DMSOS

Cost of Options

Any Options granted under the DMSOS, whether such Options are market price options or incentive options, would have a fair value. In the event that such Options are granted at prices below the fair value of the Options, there will be a cost to our Company. Such costs will be more significant in the case of incentive options, where such Options are granted with exercise prices set at a discount to the prevailing market price of our Shares. The cost to our Company of granting Options with a discounted exercise price under the DMSOS would be as follows:-

- (a) the exercise of an Option at a discounted exercise price would translate into a reduction of the proceeds from the exercise of such Options, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of our Shares. Such reduction of the exercise proceeds would represent the monetary cost to our Company of granting Options with a discounted exercise price;

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- (b) as the monetary cost of granting Options with a discounted exercise price is borne by our Company, the earnings of our Company would effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from an exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our Company's earnings per Share; and
- (c) the effect of the issue of new Shares upon the exercise of Options on our Company's NAV per Share is accretive if the exercise price is above the NAV per Share, but dilutive otherwise. The dilutive effect is greater if the exercise price is at a discount to the market price.

The costs as discussed above would only materialise upon the exercise of the Option.

Under FRS102 on Share-based Payments, the fair value of employee services received in exchange for the grant of the Options would be recognised as an expense. For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of the each Option granted at the grant date and the number of Options granted by vesting date, with a corresponding increase in equity.

Before the end of the vesting period, at each balance sheet date, the entity revises its estimates of the number of Options that are expected to vest by the vesting date and recognises the impact of this revision in the income statement with a corresponding adjustment to equity. After the vesting date, no adjustment to the income statement would be made. The proceeds received net of any directly attributable transaction costs are credited to share capital when the Options are exercised.

During the vesting period, the consolidated earnings per Share would be reduced by both the expense recognised and the potential ordinary Shares to be issued under the DMSOS. When the Options are exercised, the consolidated NAV will be increased by the amount of cash received in subscription for the new Shares. On a per Share basis, the effect is accretive if the subscription price is above the NAV per Share but dilutive otherwise.

Details of the financial effects of the DMSOS

The following sets out the financial effects of the DMSOS:-

- (a) Share capital

The DMSOS will result in an increase in our Company's issued share capital only if new Shares are issued to Selected Persons. The number of new Shares issued will depend on, *inter alia*, the size of the Options granted under the DMSOS. However, if existing Shares are purchased for delivery to Selected Persons in lieu of issuing new Shares to Selected Persons, the DMSOS will have no impact on our Company's issued share capital.

- (b) NTA

The issue of new Shares upon the exercise of Options granted under the DMSOS will increase our Company's consolidated NTA by the aggregate exercise price of the new Shares issued. On a per Share basis, the effect on the NTA of our Company will be accretive if the exercise price is above our Company's consolidated NTA per Share, but dilutive otherwise.

- (c) EPS

The DMSOS will have a dilutive impact on the basic EPS following the increase in our Company's number of issued new Shares to the extent that the new Shares are allotted and issued upon the exercise of the Options.

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Outstanding Options without being exercised are dilutive to the calculation of diluted EPS when the exercise price of the issue of ordinary Shares is less than the average market of ordinary Shares during the period.

Options have a dilutive effect only when the average market price of Shares during the period exceeds the exercise price of the Options.

(d) Dilutive impact

It is expected that any dilutive impact of the DMSOS on the NTA and the EPS would not be significant.

SGX-ST Requirements

While the DMSOS is structured such that we have the discretion to make the appropriate allotments depending on the prevailing circumstances of our Company, it conforms with the requirements as set out in the Listing Manual for employee share option schemes.

In-principle approval has been obtained from the SGX-ST for the listing and quotation of the Option Shares. However, in-principle approval of the SGX-ST is not to be taken as an indication of the merits of the DMSOS or the Option Shares. Details of the number of Options granted, the number of Options exercised and the subscription price (as well as any discount involved) will be disclosed in our annual report. The Committee currently appointed to administer the DMSOS comprises our Remuneration Committee.

Rationale for Participation of Controlling Shareholders and their Associates in the DMSOS

Our Directors are of the view that Directors and employees of our Company who are Controlling Shareholders and their Associates, should be remunerated for their contribution to our Company and our Group on the same basis as other Group employees who are not Controlling Shareholders and their Associates. Although Controlling Shareholders and their Associates already have shareholding interests in our Company, the extension of the DMSOS to encompass them will ensure that they are equally entitled to take part and benefit from the DMSOS. The DMSOS is intended to be part of the remuneration package for Group employees, and our Directors are of the view that Controlling Shareholders and their Associates should not be unduly discriminated against by virtue only of their shareholdings in our Company. The Directors are of the view that the extension of the DMSOS to Controlling Shareholders and their Associates will enhance the long-term commitment of such Controlling Shareholders and their Associates as they will continue to have a stake in our Company even if they reduce their existing shareholding in our Company.

The terms and conditions of the DMSOS do not differentiate between eligible Controlling Shareholders and their Associates from other participants in determining the eligibility of such persons to participate in the DMSOS and be granted Options thereunder. As such, eligible Controlling Shareholders and their Associates would be subject to the same rules as those applicable to other participants. Accordingly, the DMSOS would not unduly favour such Controlling Shareholders and their Associates over other participants.

The Directors believe the inclusion of Controlling Shareholders and their Associates in the DMSOS is in the best interest of our Company as such Controlling Shareholders and their Associates will be able to set the direction of our Company, define objectives and roles of management and influence decisions made by our Company and thus stand in an unique position to contribute to the growth and prosperity of our Group.

The participation in the DMSOS by each Controlling Shareholder and their Associates and the number of Options to be granted to each of them will be subject to the approval of independent Shareholders.

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Rationale for participation of Lim Tze Jong

Mr Lim Tze Jong is the Executive Chairman and CEO of our Company and has been responsible for the overall management, strategic planning and direction of our Group.

Mr Lim Tze Jong provides leadership, management skills, business networks and market contacts to our Company and/or our Group and has played a pivotal role in coordinating efforts and providing strategic inputs for the strategic growth and business direction to increase the value of our Company's overall business through expanding the customer base, re-engineering the work process to improve efficiency, setting service quality standards and investments.

Our Directors believe that there is substantial potential future development and contribution that may be made by Mr Lim Tze Jong towards steering our Group to be a leader in our industry and towards enhancing the competitiveness of our Group. For these reasons, our Directors consider his experience in and contribution towards the growth of our Company to be invaluable.

Our Directors are of the view that the remuneration package of Mr Lim Tze Jong is fair given his contributions to our Group. The extension of the DMSOS to Mr Lim Tze Jong is consistent with our Company's objectives to motivate its employees to achieve and maintain a high level of performance and contribution which is vital to the success of our Company. Although Mr Lim Tze Jong already has shareholding interests in our Company, the extension of the DMSOS to him will ensure that he is equally entitled, with the other employees who are not Controlling Shareholders, to take part in and benefit from this system of remuneration, thereby enhancing his long term commitment to our Company. For the above reasons, our Directors believe that Mr Lim Tze Jong deserves, and should be allowed to participate in the DMSOS.

The Options to be granted to Mr Lim Tze Jong will be determined at the absolute discretion of the Committee, taking into account, his performance, years of service and potential for future development and his contribution to the success and development of our Group. The Committee may also set specific criteria and performance targets, taking into account factors such as (i) our Company's and our Group's business goals and directions for each financial year and (ii) the prevailing economic conditions. Examples of performance targets to be set include targets based on criteria such as sales growth, earnings per share, share price and return on investment.

The Committee will consider all aspect of the compensation and/or benefits given to Mr Lim Tze Jong.

Under the Listing Manual, the specific grant of Options to Mr Lim Tze Jong and any other Controlling Shareholders or their associates will have to be approved by independent Shareholders of our Company in general meetings.

Rationale for participation of Directors and employees of Associated Companies

It is desired that our Company should have a performance share plan which caters to our Directors and employees of our Company and/or our subsidiaries as well as persons who are not employed within our Company and/or our subsidiaries but work closely with our Company and/or our subsidiaries and who, by reason of their relationship with our Company and/or our subsidiaries, are in a position to input and contribute their experience, knowledge and expertise to the development and prosperity of our Group. Such other persons include the directors and employees of any Associated Companies.

The Company recognises that it is important to the well-being and stability of our Group that our Company acknowledges the services and contributions made by the categories of persons described above, and that our Group continues to receive their support and contributions. By implementing DMSOS, our Company will have a means of providing for those who, while they are not directors or employees of our Company and/or our subsidiaries, are nonetheless closely associated with our Group as well as the performance of our Company through participation in the equity of our Company. It is hoped that by doing so, our Company will also strengthen its working relationships with the directors and employees of the Associated Companies by inculcating in them a stronger and more lasting sense of identification with our Group.

DIRECTORS, MANAGEMENT AND STAFF

Rationale for participation of our Group NEDs

While the DMSOS caters principally to Group Employees, it is recognised that there are other persons who make significant contributions to our Group through their close working relationships with our Group, even though they are not employed within our Group. Such persons include our Group NEDs.

Our Group NEDs, being persons from different professions and working backgrounds, bring to our Group their wealth of knowledge, business expertise and contacts in the business community. They play an important role in helping our Group shape its business strategy by allowing our Group to draw on the backgrounds and diverse working experience of these individuals. It is desirable that Group NEDs be allowed to participate in the DMSOS to incentivise and retain them and to further align their interests with that of our Group.

Our Directors are of the view that including our Group NEDs in the DMSOS will show our Company's appreciation for, and further motivate them in, their contribution towards the success of our Group. However, as their services and contributions cannot be measured in the same way as the full-time employees of our Group, while it is desired that participation in the DMSOS be made open to our Group NEDs, any Options that may be granted to any such Group NED would be intended only as a token of our Company's appreciation.

For the purpose of assessing the contributions of our Group NEDs, the Committee will propose a performance framework comprising mainly non-financial performance measurement criteria such as the extent of involvement and responsibilities shouldered by our Group NEDs. In addition, the Committee will also consider the nature and extent of their input, the assistance and expertise rendered by them to the Board and the impact thereof on the growth, success and development of our Group. The Committee may, where it considers relevant, take into account other factors such as the economic conditions and our Company's performance. The Committee may also decide that no Options shall be made in any financial year or no grant and/or Award may be made at all.

It is envisaged that the vesting of Options, and hence the number of Shares to be delivered to our Group NEDs based on the criteria set out above will be relatively small, in terms of frequency and numbers. Further, although our Group NEDs may be appointed as members of the Committee, the rules of the DMSOS provide that a member is not to be involved in its deliberations in respect of the grant of Options to him/her. In addition, we will ensure that the grant of Options to NED will be such that any conflict of interests that may potentially arise is kept minimal and that the independence of the NED is not compromised. Based on these, the Directors are of the view that the participation by our Group NEDs in the DMSOS will not compromise their independent status.

Disclosures In Annual Reports

The following disclosures (as applicable) will be made by our Company in its annual report for so long as the DMSOS continues in operation:-

- (a) the names of the members of the Committee administering the DMSOS;
- (b) in respect of the following Selected Persons of the DMSOS:-
 - (i) Directors of our Company;
 - (ii) Controlling Shareholders and their Associates; and
 - (iii) Selected Persons (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the vesting of Options granted under the DMSOS which, in aggregate, represent five per cent. (5%) or more of the total number of Option Shares available under the DMSOS,

DIRECTORS, MANAGEMENT AND STAFF

the following information:-

- (1) name of the Selected Person; and
 - (2) the aggregate number of Shares comprised in Options granted to such Selected Person under the DMSOS during the financial year under review;
 - (3) the aggregate number of Shares comprised in Options granted to such Selected Person under the DMSOS since the commencement of the DMSOS to the end of the financial year under review;
 - (4) the aggregate number of Shares comprised in Options granted to such Selected Person under the DMSOS which have vested during the financial year under review and in respect of such Options, the proportion of Shares issued or transferred upon the release of the Options; and
 - (5) the aggregate number of Shares comprised in Options granted to such Selected Person under the DMSOS which have not been exercised as at the end of the financial year under review.
- (c) in relation to the DMSOS, the following particulars:-
- (i) the aggregate number of Shares comprised in Options vested since the commencement of the DMSOS to the end of the financial year under review;
 - (ii) the aggregate number of Option Shares issued which are comprised in Options vested during the financial year under review; and
 - (iii) the aggregate number of Shares comprised in Options which have not been exercised as at the end of the financial year under review.
- (d) such other information as may be required by the Listing Manual or the Act.

Abstention from Voting

Shareholders who are eligible to participate in the DMSOS shall abstain from voting on any resolution relating to the DMSOS.

CORPORATE GOVERNANCE

The Directors recognize 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.

Our Board of Directors has formed three committees: (i) the Nominating Committee; (ii) the Remuneration Committee; and (iii) the Audit Committee.

Nominating Committee

Our Nominating Committee comprises our NED, Mr Yeo Chien Sheng, Nelson and our Independent Directors, Mr Tan Soo Kiat and Dr Ong Seh Hong. The Chairman of the Nominating Committee is Dr Ong Seh Hong.

Our Nominating Committee will be responsible for:-

- (a) re-nomination of our Directors having regard to our Director's contribution and performance;
- (b) determining annually whether or not a director is independent; and

DIRECTORS, MANAGEMENT AND STAFF

- (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 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.

Remuneration Committee

Our Remuneration Committee comprises our Executive Chairman and CEO, Mr Lim Tze Jong, and our Independent Directors, Mr Tan Soo Kiat and Dr Ong Seh Hong. The Chairman of the Remuneration Committee is Dr Ong Seh Hong.

Our Remuneration Committee will recommend to our Board a framework of remuneration for our Directors and key executives, and determine specific remuneration packages for each Executive Director.

The recommendations of our Remuneration Committee should be 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 shall be covered by our Remuneration Committee.

In addition, our Remuneration Committee will perform 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 will also review and approve any bonuses, pay increases and/or promotions for these employees.

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

Audit Committee

Our Audit Committee comprises our Non-Executive Director, Mr Yeo Chien Sheng, Nelson and our Independent Directors, Mr Tan Soo Kiat and Dr Ong Seh Hong. The Chairman of the Audit Committee is Mr Tan Soo Kiat. Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our Directors or Substantial Shareholders.

Our Audit Committee shall meet periodically to perform the following functions:-

- (a) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and our management's response;
- (b) review with the internal auditors the internal audit plan and their evaluation of the adequacy of our internal control and accounting system before submission of the results of such review to our Board for approval prior to the incorporation of such results in our annual report, if applicable;
- (c) review the financial statements before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

DIRECTORS, MANAGEMENT AND STAFF

- (d) review the internal control and procedures and ensure co-ordination between the external auditors and our management, reviewing the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);
- (e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;
- (f) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;
- (g) review transactions falling within the scope of Chapter 9 and Chapter 10 of the SGX-ST Listing Manual;
- (h) undertake such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee;
- (i) monitor our use of proceeds from the Invitation;
- (j) review and approve foreign exchange hedging policies implemented by our Group and conduct periodic review of foreign exchange transactions and hedging policies and procedures; and
- (k) generally to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Our Audit Committee will meet, at a minimum, on a quarterly basis. Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is 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 our Company's operating results and/or financial position.

In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular transaction.

Our Audit Committee, after having interviewed Ms Tiong Sai Lan and taking into account her qualifications and past working experience (as described in the section entitled "Executive Officers" of this Prospectus), considers Ms Tiong Sai Lan to be a valuable member of the management team. Further, our Audit Committee noted that Ms Tiong Sai Lan works well with the Group's Auditors and Reporting Accountants. Ms Tiong Sai Lan currently oversees 9 staff in the finance department. Based on the aforesaid, our Audit Committee is of the view that Ms Tiong Sai Lan will be able to discharge her duties as CFO of the Group competently.

INDEPENDENT DIRECTORS

Save as disclosed in the section entitled "Interested Person Transactions" in this Prospectus, our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors or Substantial Shareholders. They are also not related to the other Directors or Substantial Shareholders.

DIRECTORS, MANAGEMENT AND STAFF

BOARD PRACTICES

Term of office

Each of our Directors has served in office in our Company since the following dates:-

Name	Date of Commencement
Lim Tze Jong	19 June 2003
Lim Tjew Yok	8 February 2011
Varghese John	8 February 2011
Yeo Chien Sheng, Nelson	8 February 2011
Tan Soo Kiat	8 February 2011
Dr Ong Seh Hong	8 February 2011

An election of Directors by our Shareholders is held annually. One-third (or the number nearest to one-third) of our Directors are required to retire from office at each annual general meeting. Further, all our Directors are required to retire from office at least once every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Section 153 of the Companies Act provides, *inter alia*, that the office of a director of a public company, who is of or over 70 years old, shall become vacant at the conclusion of the annual general meeting following his appointment. Please refer to Appendix E – “Summary of the Memorandum and Articles of Association of our Company” of this Prospectus for more details on the appointment and retirement of Directors.

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, our Directors, CEO or Controlling Shareholders of our Company or the associates of such Directors, CEO or Controlling Shareholders) are known as interested person transactions. The following discussion on interested person transactions (as defined in chapter 9 of the Listing Manual) for the Periods Under Review and up to the Latest Practicable Date is based on our Group and interested persons are construed accordingly.

Save as disclosed below and in the section entitled “Restructuring Exercise” of this Prospectus, no Director, Controlling Shareholder or their respective associates (collectively, referred to as “Interested Persons”) was or is interested in any material transaction undertaken by our Group in the Periods Under Review and up to the Latest Practicable Date (the “Relevant Period”).

PAST INTERESTED PERSON TRANSACTIONS

Securities provided by Mr Lim Tze Jong

Our Executive Chairman and CEO, Mr Lim Tze Jong had provided all monies personal guarantees for an overdraft banking facility of up to \$200,000 and a foreign exchange line of \$200,000, which was granted to DM Engineering Singapore by the DBS Bank Ltd. as well as a 15-year term loan of RM224,000 for the purchase of a property which was granted to DM Engineering Malaysia by Malayan Banking Berhad. The said guarantees had since been discharged at the end of November 2010 as the said banking facilities had been settled in full.

Transactions with Recruit, Place & Train Pte. Ltd.

Recruit, Place & Train Pte Ltd (“Recruit, Place & Train”) is owned by Mdm Lim Lee Noi, Lilian and her spouse, Mr Patrick Hogan in equal proportions. Mdm Lim and Mr Hogan are also directors of Recruit, Place & Train. Mdm Lim is a sister of our Executive Chairman and CEO, Mr Lim Tze Jong and our Executive Director and Vice President (Operations), Mr Lim Tjiew Yok.

During the Relevant Period, our Group has engaged Recruit, Place & Train to provide human resource recruitment services. The aggregate payments made to Recruit, Place & Train for the Relevant Period are as follows:-

Transaction	FY2008 (\$'000)	FY2009 (\$'000)	FY2010 (\$'000)	HY2011 (\$'000)	From 1
					December 2010 to the Latest Practicable Date (\$'000)
Supply of human resource recruitment services by Recruit, Place & Train	10	–	–	–	–

The transactions with Recruit, Place & Train were conducted on an arm’s length basis and on normal commercial terms. The above transactions between our Group and Recruit, Place & Train have ceased with effect from FY2010. Our Directors do not intend to continue the above transactions with Recruit, Place & Train after the listing of our Company on the SGX-ST.

INTERESTED PERSON TRANSACTIONS

Transactions with Jobel Holdings Pte. Ltd.

Mr. Lim Tze Jong is the sole shareholder and a director of Jobel Holdings Pte. Ltd. ("Jobel"). During the Relevant Period, DM Engineering Singapore has chartered luxury yachts from Jobel as set out in the table below. The aggregate payments made under such transactions during the Relevant Period are as follows:-

Transaction	FY2008 (\$'000)	FY2009 (\$'000)	FY2010 (\$'000)	HY2011 (\$'000)	From 1 December 2010 to the Latest Practicable Date (\$'000)
Rental of luxury yachts	-	-	21	-	-

The transactions with Jobel were conducted on an arm's length basis. The above transactions between our Group and Jobel have ceased with effect from FY2010. Our Directors do not intend to continue the above transactions with Jobel after the listing of our Company on the SGX-ST.

ON-GOING INTERESTED PERSON TRANSACTIONS

Transactions with L&W United Engineering Pte. Ltd.

L&W United Engineering Pte. Ltd. ("L&W United Engineering") is owned by Mr Lim Tje Hong and his spouse, Mdm Goh Yean Shi in equal proportions. Mr Lim Tje Hong and Mdm Goh Yeah Shi are also directors of L&W United Engineering. Mr Lim Tje Hong is a brother of our Executive Chairman and CEO, Mr Lim Tze Jong, and our Executive Director and Vice President (Operations), Mr Lim Tjew Yok. L&W United Engineering is a general contractor mainly for piping and steel structural works. During the Relevant Period, our Group entered into various transactions with L&W United Engineering as set out in the table below. The aggregate payments made under such transactions during the Relevant Period are as follows:-

Transaction	FY2008 (\$'000)	FY2009 (\$'000)	FY2010 (\$'000)	HY2011 (\$'000)	From 1 December 2010 to the Latest Practicable Date (\$'000)
Sub-contracting services for steel and piping fabrication by L&W United Engineering	5,532	565	1,950	1,297	617
Rental of office containers and equipment to L&W United Engineering	3	1	5	2	-(1)
Supply of manpower services by L&W United Engineering	90	42	1,326	184	19
Worker accommodation and utilities charged to L&W United Engineering	1,386	242	101	5	-

Note:-

(1) Less than \$1,000.

INTERESTED PERSON TRANSACTIONS

All transactions made between our Group and L&W United Engineering were conducted on an arm's length basis and on normal commercial terms.

It is envisaged that transactions with L&W United Engineering will continue in future as and when the need arises. After the listing of our Company on the SGX-ST, any transactions between our Group and L&W United Engineering will be subject to such guidelines as described in the section entitled "Review Procedures for Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

Transactions with Speedgrow International Pte Ltd

Speedgrow International Pte Ltd ("Speedgrow") is owned by Ms Lim Lie Tjing and her mother, Mdm Tio Moi Kia @ Tio Suk Ping, in equal proportions. Ms Lim and Mdm Tio are also directors of Speedgrow. Ms Lim Lie Tjing is a sister of our Executive Chairman and CEO, Mr Lim Tze Jong and our Executive Director and Vice President (Operations), Mr Lim Tjew Yok, and is also the spouse of our Vice President (Commercial), Mr Teo Boon Hwee. Mdm Tio Moi Kia @ Tio Suk Ping is the mother of Mr Lim Tze Jong and Mr Lim Tjew Yok, and mother-in-law to Mr Teo Boon Hwee. Speedgrow is in the general trading business.

During the Relevant Period, our Group entered in various transactions with Speedgrow as set out in the table below. The aggregate payments made under such transactions for the Relevant Period are as follows:-

Transaction	FY2008 (\$'000)	FY2009 (\$'000)	FY2010 (\$'000)	HY2011 (\$'000)	From 1 December 2010 to the Latest Practicable Date (\$'000)
Supply of stationery, office appliances and other office consumables by Speedgrow	2	2	–	–	–
Sub-contracting services for fabrication of structural steel by Speedgrow	–	25	125	–	–
Supply of manpower services by Speedgrow	–	–	10	–	–
Supply of machinery and equipment by Speedgrow	–	546	1,295	44	8
Worker accommodation and utilities charged to Speedgrow	–	–	1	–	–

Our transactions with Speedgrow were conducted on an arms' length basis. After the listing of our Company on the SGX-ST, any transactions between our Group and Speedgrow will be subject to such guidelines as described in the section entitled "Review Procedures for Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

Transactions with Jobel Lifestyle Pte. Ltd.

Ms Lim Rui Ping and Ms Lim Rui Ting are both directors of Jobel Lifestyle Pte. Ltd. ("Jobel Lifestyle"), and they both own Jobel Lifestyle in equal proportions. Ms Lim Rui Ping and Ms Lim Rui Ting are both daughters of our Executive Chairman and CEO, Mr Lim Tze Jong.

INTERESTED PERSON TRANSACTIONS

DM Engineering Singapore had entered into a charter agreement with Jobel Lifestyle for the rental of two luxury yachts for corporate entertainment and staff welfare purposes. The charter agreement is valid for a period of 20 months commencing from 3 March 2010. Our Directors are of the view that the charter fees paid to Jobel Lifestyle are on an arm's length basis and on normal commercial terms as they are comparable to charter fees charged by Jobel Lifestyle to other unrelated third parties. After the listing of our Company on the SGX-ST, any transactions between our Group and Jobel Lifestyle will be subject to such guidelines as described in the section entitled "Review Procedures for Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

Transaction	FY2008 (\$'000)	FY2009 (\$'000)	FY2010 (\$'000)	HY2011 (\$'000)	From 1 December 2010 to the Latest Practicable Date (\$'000)
Rental of luxury yachts	–	–	56	50	28

Securities provided by Interested Persons

As at the Latest Practicable Date, our Executive Chairman and CEO, Mr Lim Tze Jong, has provided securities to secure banking and trade facilities granted to our Group as set out in the table below:-

institution	Type of Credit Facilities	Amount outstanding as at the Latest Practicable Date (\$'000)	Securities provided by Interested Persons
Liberty Insurance Pte. Ltd.	Issuance of foreign worker bonds for the due compliance with any rule regulation, procedural or otherwise set or to be set by the Ministry of Manpower for the approval of a work passes for foreign workers	2,975	Indemnity provided by Mr Lim Tze Jong in favour of Liberty Insurance Pte. Ltd.

The largest aggregate outstanding amount guaranteed by the above Interested Persons during the Relevant Period was approximately \$3.0 million.

Subsequent to the Invitation, we intend to procure the withdrawal or discharge of the above securities. Should the terms and conditions of our existing facilities be affected by the withdrawals or discharge of the above securities, our Directors are confident that with our listed status and strengthened financial position, we should be able to secure alternative credit facilities on terms similar to those applicable to the existing facilities. In the event that the relevant financial institution does not agree to release the above securities, and we are unable to secure alternative credit facilities on similar terms, Mr Lim Tze Jong has undertaken to continue to provide the guarantees until such time when we are able to secure alternative facilities from other financial institutions.

No consideration was paid to the Interested Persons above for the provision of the respective securities set out above. Accordingly, our Directors are of the view that although the transactions are not on arms' length basis, the terms are beneficial to our Group.

After our admission to the Official List of the SGX-ST, all transactions made between our Group and Mr Lim Tze Jong will be entered into in accordance with such guidelines as described in the section entitled "Review Procedures for Future Interested Person Transactions" of this Prospectus and Chapter 9 of the Listing Manual.

INTERESTED PERSON TRANSACTIONS

REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

To ensure that future transactions with Interested Persons are undertaken on normal commercial terms and are consistent with our Group's usual business practices and policies, which are generally no more favourable than those extended to unrelated third parties, the following procedures will be implemented by our Group.

In relation to any purchase of products or procurement of services from Interested Persons, quotes from at least two unrelated third parties in respect of the same or substantially the same type of transactions will be used as comparison wherever possible. The purchase price or procurement price shall not be higher than the most competitive price of the two comparative prices from the two unrelated third parties. Our Audit Committee will review the comparables factors, taking into account the suitability, quality and cost of the product or service, and the experience and expertise of the supplier.

In relation to any sale of products or provision of services to Interested Persons, the price and terms of two other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as comparison wherever possible. The Interested Persons shall not be charged at rates lower than that charged to the unrelated third parties.

All interested persons transactions above \$100,000 are to be approved by a member of the Audit Committee who shall not be an Interested Person in respect of the particular transaction. Any contracts to be made with an Interested Person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties and the terms are no more favourable than those extended to or received from unrelated parties.

For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the Interested Person are no more favourable than those extended to unrelated parties. In the event that it is not possible for appropriate information for comparative purposes to be obtained, the matter will be referred to our Audit Committee and our Audit Committee will determine whether the relevant price and terms are fair and reasonable and consistent with our Group's usual business practices.

In addition, we shall monitor all interested person transactions entered into by us categorising the transactions as follows:-

- (i) a "category one" interested person transaction is one where the value thereof is in excess of 3% of the latest audited NTA of our Group; and
- (ii) a "category two" interested person transaction is one where the value thereof is below or equal to 3% of the latest audited NTA of our Group.

All "category one" interested person transaction must be approved by our Audit Committee prior to entry. All "category two" interested person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a quarterly basis by our Audit Committee.

Before any agreement or arrangement with an Interested Person that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee.

INTERESTED PERSON TRANSACTIONS

All interested person transactions shall be subject to review by our Audit Committee on a quarterly basis. We will prepare relevant information to assist our Audit Committee in its review. Our Audit Committee will include the review of interested persons transactions as part of its procedures while examining the adequacy of our internal controls. Our Board will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards are complied with. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the Listing Manual.

POTENTIAL CONFLICTS OF INTERESTS

Interests of Directors, Controlling Shareholders or their Associates

Save as disclosed below, in this section, and in the section entitled “Interested Person Transactions” of this Prospectus, during the Periods Under Review:-

- (a) none of our Directors, Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any material transactions to which our Company or our subsidiary was or is a party;
- (b) none of our Directors, Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any entity carrying on the same business or dealing in similar products which competes materially and directly with the existing business of our Group; and
- (c) none of our Directors, Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any enterprise or company that is our customer or supplier of goods or services.

Interest of Experts

No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have within the 2 years preceding the date of this Prospectus, been acquired or disposed of by or leased to our Group or are proposed to be acquired or disposed of by or leased to our Group.

No expert is employed on a contingent basis by our Group; or has a material interest, whether direct or indirect, in our Shares or the shares of our subsidiaries; or has a material economic interest, whether direct or indirect, in our Group, including an interest in the success of the Invitation.

Interest of the Issue Manager, the Joint Underwriters and Joint Placement Agents

In the reasonable opinion of our Directors, the Issue Manager, the Joint Underwriters and Joint Placement Agents do not have any material relationships with our Company.

POTENTIAL CONFLICTS OF INTERESTS

KSL

KSL has, through the Commitment Letters, committed to our Company to subscribe for and/or purchase, by itself or by its nominee (which shall be a wholly owned subsidiary of KOM) such number of Shares from the Placement Shares representing between 20% and 29% of our Company’s post-Invitation share capital on the terms set out in the Commitment Letters. Please refer to the section entitled “Proposed Investment by KSL” of this Prospectus for further information.

Collaboration with KSL

Our Company and KSL had, on 15 July 2010, entered into a collaboration agreement (the “Collaboration Agreement”) to set out the terms and conditions of the collaboration between our Group and the KSL. Under the Collaboration Agreement, KSL and our Company have agreed to collaborate in the following manner:-

- (a) KSL and each member of our Group will use reasonable commercial efforts to support, enhance and expand each other’s core business in the marine and offshore industry. To this end, it is the intention of KSL and our Group not to compete but to collaborate with each other on their respective core business in and outside Singapore. The core business of our Group being the Module Business, and the core business of KSL being the repair, conversion and upgrading of a diverse range of vessels (including but not limited to FPSOs, FSOs, oil and gas carriers, containership, rigs and other offshore vessels);
- (b) where feasible, subject to the relevant company’s internal approvals and applicable rules in the Listing Manual, KSL and any member of our Group may jointly bid for FPSO and FSO projects where the our Group will carry out the Module Business, while KSL will carry out the non-Module Business aspects of these projects; and

POTENTIAL CONFLICTS OF INTERESTS

- (c) KSL and our Group shall collaborate in the Module Business outside Singapore mainly through joint ventures (subject to feasibility studies, appropriate due-diligence, respective internal approvals and applicable rules in the Listing Manual), starting with Brazil and the PRC.

The obligations to collaborate took effect from 22 June 2010.

Upon completion of the proposed investment by KSL (or its nominee), as disclosed in the section entitled "Proposed Investment by KSL", if KSL's (or its nominee's) shareholding interest in our Company falls below 20%, or if any time KSL (or its nominee) no longer is a subsidiary of KCL, then the obligations to collaborate shall cease to apply.

Upon listing of our Company on the SGX-ST, all collaborations between our Group and KSL shall be subject to the applicable rules in the Listing Manual.

Non-competition

Our Company is of the view that our current Module Business does not compete with that of KSL. In addition, our Company and KSL have made arrangements to ensure that so long as KSL (or its nominee) remains a Controlling Shareholder and a member of the Keppel Group, KSL and our Group will use all reasonable efforts not to compete but to collaborate for mutual benefit in the marine and offshore industry. Also, our Company has established safeguards to manage potential competition in business between our Group and the Keppel Group in the future. Our Company has also established safeguards to manage conflict of interest situations arising from KSL (or its nominee) as a Controlling Shareholder, and the appointment of the NED to our Board and to the Audit Committee and Nominating Committee.

Other Mitigating Factors for Potential Conflicts of Interests

Notwithstanding the Collaboration Agreement, in order to mitigate any conflict of interest situations arising from the respective businesses of our Group and KSL, our Company proposes to implement measures, whereby as an Interested Person, KSL (or its nominee) will abstain from voting in general meetings on all resolutions in respect of transactions to be entered into with a member of the Keppel Group where so required under the Listing Manual. The NED will not be participating in day to day operations and management of our Group. At meetings of the Directors and the various committees of the Board, the NED will also abstain from voting on any resolutions where the Audit Committee has decided that there is a conflict of interest on the part of the NED. To aid the Audit Committee, the NED will, to the best of his knowledge, disclose his and Keppel Group's interests in the relevant transactions, contracts, arrangements or any other proposals. The NED will nonetheless be entitled to receive notice of all meetings of the Directors and the various committees of our Company even if these notices relate to transactions relating to Keppel Group.

Notwithstanding the nomination of the NED by the KSL, as a Director of our Company, the NED owes fiduciary duties to our Company, including the duty to act in good faith and in the best interests of our Company. In addition, a Director may only disclose information (not otherwise available to him) which he has obtained in his capacity as a Director, to the shareholder whose interests he represents, when certain conditions stipulated in Section 158 of the Companies Act are met. These conditions are that: the relevant Director declares at a meeting of the Directors the person to whom such information is to be disclosed and particulars of such information; the Board authorises him to make such disclosure; and the disclosure will not be likely to prejudice our Company.

Interested Person Transactions

For so long as KSL (or its nominee) remains a Controlling Shareholder and a subsidiary of the Keppel Group, any member of the Keppel Group is deemed an Interested Person, and any transaction with any member of the Keppel Group and the our Group is deemed an Interested Person Transaction. To ensure future transactions with any member of the Keppel Group are undertaken on normal commercial terms and are consistent with the our Group's usual business practices and policies, which are generally no more favourable than those extended to unrelated third parties, any such future transactions shall be subjected to the control procedures as set out under the section entitled "Review Procedures for Future Interested Person Transactions" of this Prospectus.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on the SGX-ST, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of our Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended, modified or supplemented from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, securities accounts with CDP. Persons named as direct securities account holders and Depository agents in the Depository Register maintained by CDP, rather than CDP itself, will be treated, under our Articles and the Act, as members of our Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding our Shares in securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles. A fee of \$10 for each withdrawal of 1,000 Shares or less and a fee of \$25 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of \$2 or such other amount as our Directors may decide, is payable to the Share Registrar for each share certificate issued and a stamp duty of \$10 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or \$0.20 per \$100 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of \$20 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value subject to a maximum of \$600 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST.

Dealings of our Shares will be carried out in Singapore Dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS, EXECUTIVE OFFICERS AND CONTROLLING SHAREHOLDERS

1. None of our Directors, Executive Officers or Controlling Shareholders:-
 - (a) was, at any time during the last 10 years, involved in an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner;
 - (b) was, at any time during the last 10 years, involved in an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
 - (c) has any unsatisfied judgements against him;
 - (d) has at any time ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;
 - (e) has at any time ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or any criminal proceedings (including any pending criminal proceedings which he is aware of) for such breach;
 - (f) has, at any time during the last 10 years, received judgement against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
 - (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
 - (i) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;
 - (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

GENERAL AND STATUTORY INFORMATION

- (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

- (k) has ever been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

2. Save for the share options which may be granted under the DMSOS, no person (including a Director or Executive Officer) has been, or is entitled to be, given an option to subscribe for or purchase any shares in or debentures of our Company and its subsidiary.

SHARE CAPITAL

3. Save as set out below and under the sections entitled “Share Capital” and “Restructuring Exercise” in this Prospectus respectively, there were no changes in the issued and paid-up capital of our Company and our subsidiaries within the 3 years preceding the Latest Practicable Date:-

Company	Date of issue/ increase	No of shares issued/amount of increase	Purpose of change in capital	Issued price of each share	Resultant capital
Our Company	31 May 2009	2,499,998	Bonus issue of shares to Mr Lim Tze Jong	\$1.00	\$2,500,000
Our Company	18 June 2010	23,975,853	Subscription by Mr Lim Tze Jong	\$1.00	\$26,475,853
DM Marine	31 March 2009	999,999	Subscription of shares by our Company	\$1.00	\$1,000,000
DMP Engineering Singapore	25 July 2008	2	Incorporation - Subscription of shares by Ms Tiong Sai Lan	\$1.00	\$2
DMP Engineering Singapore	31 March 2009	54,998	Subscription of shares by our Company	\$1.00	\$55,000
DMP Engineering Singapore	31 March 2009	45,000	Subscription of shares by Paliy Marine Engineering Pte. Ltd.	\$1.00	\$100,000
DM Offshore	31 March 2009	499,996	Subscription of shares by our Company	\$1.00	\$500,000

4. Save as disclosed in the section entitled “Share Capital” of this Prospectus and in paragraph 3 above, no Shares in, or debentures of, our Company or any of our subsidiaries have been issued or are agreed to be issued, by our Company or any of our subsidiaries, as fully or partly paid-up and whether for cash or for a consideration other than cash, within the 3 years preceding the date of this Prospectus.

GENERAL AND STATUTORY INFORMATION

MATERIAL CONTRACTS

5. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company or our subsidiaries within the 2 years preceding the date of lodgement of this Prospectus and are or may be material:-

Date	Parties	Nature of Contract
1 March 2009	<ul style="list-style-type: none"> ● Company ● Lim Tze Jong, Teo Boon Hwee, ● Phee Eng Kit and Lim Tjew Yok 	Sale and purchase of shares in DM Engineering Singapore, DM Marine, DM Offshore, DM Fabricator and DM Corrosion. Please refer to the section entitled "Restructuring Exercise" of this Prospectus for further details.
22 June 2010 (as amended by an agreement dated 14 July 2010)	<ul style="list-style-type: none"> ● Company ● Lim Tze Jong ● KSL 	Commitment agreement whereby KSL has irrevocably commit to subscribe and/or purchase by itself or its nominee (which shall be a wholly owned subsidiary of KOM) via placement for 20% to 29% of the post-Invitation issued share capital of our Company. Please refer to the section entitled "Plan of Distribution" of this Prospectus for further details.
15 July 2010	<ul style="list-style-type: none"> ● Company ● KSL 	To set out the terms and conditions of our Company's collaboration with KSL, namely (i) non-compete with each other's core business; (ii) joint bidding for FPSO and FSO conversion projects; and (iii) utilisation of each party's respective network and contacts, yard facilities and expertise in related fields to promote such collaboration. Please refer to the section entitled "Potential Conflicts of Interest-KSL" of this Prospectus for further details.
3 June 2010	<ul style="list-style-type: none"> ● Guangzhou Dockyards Co., Ltd ● Company 	Memorandum of Understanding for parties to jointly bid for FPSO and FSO projects where our Company will focus on topside module works and Guangzhou Dockyards Co., Ltd will focus on other areas of work. Please refer to the section entitled "Prospects, Business Strategies and Future Plans – Expansion of operations overseas to countries such as Brazil and the PRC" of this Prospectus for further details.
25 November 2010	<ul style="list-style-type: none"> ● Lim Tze Jong, Teo Boon Hwee, Phee Eng Kit and Lim Tjew Yok (collectively, the "Vendors") ● Company 	Restructuring and supplemental agreement to the sale and purchase agreement dated 1 March 2009 relating to the sale and purchase of shares in DM Engineering Singapore, DM Marine, DM Offshore, DM Fabricator and DM Corrosion held by the Vendors, respectively, to the Company. Please refer to the section entitled "Restructuring Exercise" of this Prospectus for further details.
10 January 2011	<ul style="list-style-type: none"> ● Swanlin Asia Pte Ltd ● DM Engineering Singapore 	Settlement Agreement where each party has agreed to settle all their disputes relating to the Thunderhawk FPU-5500 Project. Please refer to the section entitled "Litigation" of this Prospectus for further details.

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Date	Parties	Nature of Contract
21 February 2011	<ul style="list-style-type: none">● Company● Issue Manager● Joint Underwriters	Management and Underwriting Agreement. Please refer to the section entitled "Management, Underwriting and Placement Arrangements" of this Prospectus for further details.
21 February 2011	<ul style="list-style-type: none">● Company● Joint Placement Agents	Placement Agreement. Please refer to the section entitled "Management, Underwriting and Placement Arrangements" of this Prospectus for further details.

LITIGATION

6. Save as disclosed below, and as at the Latest Practicable Date, our Group is not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated, which may have or have had in the 12 months before the date of lodgement of this Prospectus, a material effect on our Group's financial position or profitability, and our Directors have no knowledge of any proceedings pending or threatened against our Company or our subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of our Company or our subsidiaries.

Claims involving Swanlin Asia Pte Ltd

On 6 August 2009, Swanlin Asia Pte Ltd instituted legal proceedings in Singapore against our main operating subsidiary, DM Engineering Singapore (Suit No. 684/2009/P), to claim for a sum of \$1,947,758.02 or alternatively any other sum as the Court sees fit, allegedly for a series of unpaid invoices for work done pursuant to work orders issued by DM Engineering Singapore for the Thunderhawk FPU-5500 project.

DM Engineering Singapore resisted the entire claim by Swanlin Asia Pte Ltd and counterclaimed the sum of \$1,293,971.97 (before GST).

Swanlin Asia Pte Ltd also issued a new writ in Suit 549/2010/A on 26 July 2010 for the total sum of \$2,336,256.78 (after GST) for additional claims in relation to the same project.

Swanlin Asia Pte Ltd subsequently applied to court to consolidate both actions into one. On 19 August 2010, the Court gave directions to discontinue Suit No. 684/2009/P, and directed the claim and counterclaim in Suit 684/2009/P to be included in the claim in Suit 549/2010/A so that all matters relating to the same project could be decided in one case.

Pursuant to a settlement agreement dated 10 January 2011, each of Swanlin Asia Pte Ltd and DM Engineering Singapore agreed to settle all their disputes relating to the Thunderhawk FPU-5500 project. As part of the settlement agreement, DM Engineering paid \$600,000 to Swanlin Asia Pte Ltd as full and final settlement of all claims which either party has or may have against each other. Each party shall also bear its own legal costs in relation to Suit 549/2010/A and Suit 684/2009/P. Swanlin Asia Pte Ltd has on 18 January 2011 filed a notice of discontinuance for the Suit 549/2010/A.

Claims involving Weir LGE Process ("WLGE")

WLGE had engaged DM Engineering Singapore as sub-contractor to carry out fabrication works for four refrigeration skids of which two have been completed by DM Engineering Singapore. DM Engineering Singapore is now alleging breach of contract by WLGE, and is claiming for payment of work carried out and completed by DM Engineering Singapore for the sum of US\$3,039,343.57.

WLGE has denied that it is in breach and has alleged that DM Engineering Singapore was in breach of contract by failing to complete the remaining 2 skids, and has indicated its claim for breach of contract and costs of repairs to the completed skids as £1,460,094.

GENERAL AND STATUTORY INFORMATION

Both parties have indicated their intentions to go for arbitration, but neither party has initiated arbitration under the International Chamber of Commerce. DM Engineering Singapore is examining its claims in detail by consulting an international project management consultancy firm to obtain a technical opinion so that it may proceed with its claims against WLGE.

The amount claimed by the DM Engineering Singapore had been expensed off in FY2006. The amount claimed by WLGE had not been provided for by our Group as our Directors believe that the claims by WLGE do not have a strong basis. Based on the above, we believe that the claims involving WLGE would not have a material impact on the financial position or profitability of our Group.

Summons (SUMM-20101111-000125) (the "Summons")

In FY2007, an accident resulting in the death of a worker occurred on our premises. The Ministry of Manpower has carried out investigations to determine the cause of the accident. On 26 November 2010, DM Engineering Singapore received a summons requiring the company to appear before the Subordinate Court on 14 December 2010 to answer to a charge for contravening Regulation 20(1) of the Factories (Operations of Cranes) Regulations for failing to appoint a lifting supervisor before any lifting operation involving the use of crane, mobile crane or tower crane is carried out, and failing to appoint a lifting supervisor before the lifting operation of metal web frames involving a gantry crane in our fabrication yard. The summons also stated that in the event of a conviction, DM Engineering Singapore shall be liable to a fine not exceeding \$20,000. On 14 December 2010, the hearing of the case was postponed to 25 January 2011 and subsequently to 22 February 2011. As at the Latest Practicable Date, the charges are still pending.

MISCELLANEOUS

7. Each of the Joint Placement Agents, the Solicitors to the Invitation, the Solicitors to the Issue Manager, the Joint Underwriters and the Joint Placement Agents, the Legal Advisers to our Company on Malaysia law, the Legal Advisers to our Company on Hong Kong law, the Legal Advisers to our Company on Brazilian Law, the Receiving Bank, and the Principal Banker, and the Share Registrar, do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.
8. The nature of our business is stated in the section entitled "Business Overview" of this Prospectus. As at the Latest Practicable Date, the corporations which are deemed to be related to us by virtue of Section 6 of the Companies Act are set out in Appendix A – "Independent Auditors' Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010" and Appendix B – "Independent Auditors' Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010" of this Prospectus.
9. The time of the opening of the Application List is stated in the section entitled "Details of the Invitation" of this Prospectus.
10. The amount payable on application is \$0.35 for each Invitation Share. There has been no previous issue of Shares by our Company or offer for sale of its Shares to the public within the two years preceding the date of this Prospectus.

GENERAL AND STATUTORY INFORMATION

11. Application monies received by our Company in respect of all successful applications (including successfully balloted applications which are subsequently rejected) will be placed in a separate non-interest bearing account with Standard Chartered Bank (the "Receiving Bank"). There is no sharing arrangement between the Receiving Bank and our Company in respect of interest or revenue or any other benefit in respect of the deployment of application monies in the inter-bank monies market, if any. Any refund of the application monies to unsuccessful or partially successful applicants will be made without any interest or share of such revenue or other benefit arising therefrom.
12. No property has been purchased or acquired or proposed to be purchased or acquired by our Group which is to be paid for, wholly or partly, out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of this Prospectus, other than property the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of our Company or our subsidiaries, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
13. Save as disclosed in this Prospectus under the section entitled "Risk Factors" of this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks not mentioned elsewhere in this Prospectus which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.
14. Save as disclosed in this Prospectus under the section entitled, "Management, Underwriting and Placement Arrangements" of this Prospectus, no commission, discount or brokerage has been paid or other special terms granted within the 2 years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procure subscriptions for any shares in, or debentures of, our Company or our subsidiaries.
15. No expert is employed on a contingent basis by our Company or our subsidiaries, or has a material interest, whether direct or indirect, in the shares of our Company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Offer.
16. Save as disclosed under the sections entitled "Dividend Policy", "Share Capital" and "Restructuring Exercise" of this Prospectus, our Directors are not aware of any event which has occurred since 1 December 2010, which may have a material effect on the financial information provided in Appendix A – "Independent Auditors' Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010" and Appendix B – "Independent Auditors' Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010" of this Prospectus.
17. Save as disclosed in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:-
 - (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditures;
 - (c) unusual or infrequent events or transactions or any significant economic changes that will materially affect the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on revenues or operating income.

GENERAL AND STATUTORY INFORMATION

18. We currently have no intention of changing the auditors of our Company after the listing of our Company on the SGX-ST.

Details, including the names, addresses and professional qualifications (including membership in a professional body) of the auditors of our Group for FY2008, FY2009 and FY2010 are as follows:-

Director in Charge	Name and Address	Professional Body	Professional Qualification
Kristin YS Kim	Nexia TS Public Accounting Corporation Certified Public Accountants 5 Shenton Way #16-00 UIC Building Singapore 068808	Institute of Certified Public Accountants of Singapore	CPA

CONSENTS

19. Nexia TS Public Accounting Corporation has given and has not, before the registration of this Prospectus, withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its name and references thereto and the inclusion herein of Appendix A – “Independent Auditors’ Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010” and Appendix B – “Independent Auditors’ Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010” of this Prospectus, in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.
20. Collins Stewart Pte. Limited has given, and has not before the registration of this Prospectus, withdrawn its written consent to being named in this Prospectus as Issue Manager to the Invitation and to act in such capacity in relation to this Prospectus.
21. Collins Stewart Pte. Limited and UOB Kay Hian Private Limited have given, and have not before the registration of this Prospectus, withdrawn their written consent to being named in this Prospectus as Joint Underwriters and Joint Placement Agents and to act in such capacity in relation to this Prospectus.

STATEMENT BY OUR DIRECTORS AND THE VENDOR

22. This Prospectus has been seen and approved by our Directors and the Vendor, and they collectively and individually accept the full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, that the facts stated and the opinions expressed herein are fair and accurate in all material respects as of the date hereof and there are no other facts the omission of which would make any statements herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group.

DOCUMENTS AVAILABLE FOR INSPECTION

23. Copies of the following documents may be inspected at the registered office of our Company at 59, Gul Road, Singapore 629354, during normal business hours for a period of 6 months from the date of registration of this Prospectus:-
- (a) the Memorandum and Articles of Association of our Company;
 - (b) the Service Agreement referred to in this Prospectus;
 - (c) the material contracts referred to in paragraph 5 above;

GENERAL AND STATUTORY INFORMATION

- (d) the letters of consent referred to in paragraphs 19 to 21 above;
- (e) the Rules of the DMSAS;
- (f) the Rules of the DMSOS;
- (g) the Independent Auditors' Report on the Consolidated Financial Statements for the Financial Years Ended 31 May 2008, 2009 and 2010 as set out in Appendix A of this Prospectus; and
- (h) the Independent Auditors' Review Report on the Unaudited Consolidated Financial Statements for the Six-Month Period Ended 30 November 2010.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 MAY 2008, 2009 AND 2010**

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements set out on pages A-4 to A-82 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 May 2008, 2009 and 2010, and of the results, changes in equity and cash flows of the Group for the financial years then ended, and
- (ii) 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

Director
Lim Tze Jong

Director
Varghese John

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 MAY 2008, 2009 AND 2010**

INDEPENDENT AUDITORS’ REPORT

21 February 2011

The Board of Directors
Dyna-Mac Holdings Ltd.
59 Gul Road
Singapore 629354

Dear Sirs

We have audited the consolidated financial statements of Dyna-Mac Holdings Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”), set out in Appendix A on pages A-4 to A-82, which comprise the consolidated balance sheets as at 31 May 2008, 2009 and 2010, and the consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the financial years ended 31 May 2008, 2009 and 2010 and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes:

- (a) 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;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated 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 as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements 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 consolidated financial statements.

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

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 MAY 2008, 2009 AND 2010**

INDEPENDENT AUDITORS’ REPORT

Opinion

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the state of affairs of the Group as at 31 May 2008, 2009 and 2010 and of the results, changes in equity and cash flows of the Group for the financial years ended 31 May 2008, 2009 and 2010 in accordance with Singapore Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

This report has been prepared for inclusion in the draft Prospectus in connection with the initial public offering (“IPO”) of the ordinary shares of the Company on the Singapore Exchange Securities Trading Limited.

NEXIA TS PUBLIC ACCOUNTING CORPORATION
Public Accountants and Certified Public Accountants
Singapore

Director-in-charge: Kristin YS Kim
(Appointed since financial year ended 31 May 2008)

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 MAY 2008, 2009 AND 2010**

**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Consolidated Statement of Comprehensive Income
For the Financial Years Ended 31 May 2008, 2009 and 2010**

	Note	2008 \$'000	2009 \$'000	2010 \$'000
Revenue	6	210,909	120,857	218,541
Cost of sales		(169,619)	(92,901)	(167,758)
Gross profit		41,290	27,956	50,783
Other income	7	2,583	1,948	2,460
Administrative expenses		(16,891)	(18,448)	(20,323)
Finance expenses	10	(564)	(569)	(766)
Share of loss of an associated company	18	-	-	(46)
Profit before income tax		26,418	10,887	32,108
Income tax expense	11(a)	(4,739)	(2,806)	(6,657)
Net profit		21,679	8,081	25,451
Other comprehensive income, net of tax				
Currency translation differences arising from consolidation		(86)	(38)	20
Total comprehensive income		21,593	8,043	25,471
Profit attributable to:				
Equity holders of the Company		21,679	8,083	25,452
Minority interests		-	(2)	(1)
		21,679	8,081	25,451
Total comprehensive income attributable to:				
Equity holders of the Company		21,593	8,045	25,472
Minority interests		-	(2)	(1)
		21,593	8,043	25,471
Earnings per share attributable to equity holders of the Company (cents)				
- Basic	12	3.04	1.13	3.56

The annexed notes form an integral part of and should be read in conjunction with this consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Consolidated Balance Sheets
As at 31 May 2008, 2009 and 2010**

	Note	2008 \$'000	2009 \$'000	2010 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	13	13,012	17,790	33,246
Trade and other receivables	14	57,623	44,387	52,882
Construction contract work-in-progress	15	464	1,154	-*
Inventories	16	-	7,172	2,688
Other current assets	17	684	1,084	2,151
		71,783	71,587	90,967
Non-Current Assets				
Investment in an associated company	18	-	-	81
Investment properties	19	9,000	9,713	9,916
Property, plant and equipment	20	36,506	49,991	63,689
Club memberships		88	88	77
		45,594	59,792	73,763
Total Assets		117,377	131,379	164,730
LIABILITIES				
Current Liabilities				
Trade and other payables	21	68,282	81,271	102,696
Current income tax liabilities	11(b)	5,806	3,436	5,034
Borrowings	22	9,918	10,187	4,632
		84,006	94,894	112,362
Non-Current Liabilities				
Borrowings	22	6,433	5,625	16,636
Deferred income tax liabilities	24	2,106	4,340	5,741
		8,539	9,965	22,377
Total Liabilities		92,545	104,859	134,739
Net Assets		24,832	26,520	29,991
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	25	1,000	26,476	26,476
Retained profits		23,856	63	3,515
Foreign currency translation reserve		(24)	(62)	(42)
		24,832	26,477	29,949
Minority interests		-	43	42
		24,832	26,520	29,991

*The annexed notes form an integral part of and
should be read in conjunction with this consolidated financial statements.*

**APPENDIX A – INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED
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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Consolidated Statement of Changes in Equity
For the Financial Years Ended 31 May 2008, 2009 and 2010**

	Note	Attributable to equity holders of the Company						Total Equity \$'000
		Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Retained Profits \$'000	Total \$'000	Minority Interests \$'000	Total Equity \$'000	
Balance at 1 June 2007		1,000	62	14,677	15,739	-	15,739	
Total comprehensive income for the financial year		-	(86)	21,679	21,593	-	21,593	
Interim dividends paid	26	-	-	(12,500)	(12,500)	-	(12,500)	
Balance at 31 May 2008		1,000	(24)	23,856	24,832	-	24,832	
Balance at 1 June 2008		1,000	(24)	23,856	24,832	-	24,832	
Share swap pursuant to restructuring exercise	25	(1,000)	-	(22,976)	(23,976)	-	(23,976)	
Issuance of shares pursuant to the restructuring exercise	25	23,976	-	-	23,976	-	23,976	
Total comprehensive income for the financial year		-	(38)	8,083	8,045	(2)	8,043	
Interim dividends paid	26	-	-	(6,400)	(6,400)	-	(6,400)	
Acquisition of a subsidiary		-	-	-	-	45	45	
Issuance of bonus shares	25	2,500	-	(2,500)	-	-	-	
Balance at 31 May 2009		26,476	(62)	63	26,477	43	26,520	

*The annexed notes form an integral part of and
should be read in conjunction with this consolidated financial statements.*

**APPENDIX A – INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED
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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Consolidated Statement of Changes in Equity
For the Financial Years Ended 31 May 2008, 2009 and 2010**

	Note	Attributable to equity holders of the Company					Total Equity \$'000
		Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Retained Profits \$'000	Total \$'000	Minority Interests \$'000	
Balance at 1 June 2009		26,476	(62)	63	26,477	43	26,520
Total comprehensive income for the financial year		-	20	25,452	25,472	(1)	25,471
Interim dividends paid	26	-	-	(22,000)	(22,000)	-	(22,000)
Balance at 31 May 2010		26,476	(42)	3,515	29,949	42	29,991

*The annexed notes form an integral part of and
should be read in conjunction with this consolidated financial statements.*

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
31 MAY 2008, 2009 AND 2010**

**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Consolidated Cash Flow Statements
For the Financial Years Ended 31 May 2008, 2009 and 2010**

	Note	2008 \$'000	2009 \$'000	2010 \$'000
Cash Flow From Operating Activities				
Net profit		21,679	8,081	25,451
Adjustments for:				
- Income tax expense	11(a)	4,739	2,806	6,657
- Depreciation	20	5,445	4,665	5,844
- (Gain)/loss on disposal of property, plant and equipment		(9)	(44)	33
- Write-off of property, plant and equipment		-	-	1,503
- Impairment in investment of club memberships		-	-	11
- Interest income		(400)	(54)	(25)
- Interest expense		564	569	766
- Impairment loss of goodwill		92	-	-
- Fair value gain on investment properties	19	(585)	-	-
- Share of loss of an associated company		-	-	46
- Unrealised translation (gains)/losses		(156)	(38)	20
		31,369	15,985	40,306
Changes in working capital				
- Trade and other receivables		(6,670)	13,236	(8,495)
- Construction contract work-in-progress		202	(690)	1,154
- Inventories		-	(7,172)	4,484
- Other current assets		436	(400)	(1,067)
- Trade and other payables		3,036	15,777	8,311
		28,373	36,736	44,693
Cash generated from operations		28,373	36,736	44,693
Interest received		398	54	25
Income taxes paid		(1,665)	(2,942)	(3,658)
		27,106	33,848	41,060
Net cash generated from operating activities				
Cash Flow From Investing Activities				
Cash received from minority interests as part of the restructuring exercise		-	45	-
Additions to property, plant and equipment		(22,105)	(17,959)	(20,998)
Improvements to investment properties	19	(446)	(713)	(203)
Proceeds from disposal of property, plant and equipment		1,036	263	222
Investment in an associated company		-	-	(127)
		(21,515)	(18,364)	(21,106)
Net cash used in investing activities				

The annexed notes form an integral part of and should be read in conjunction with this consolidated financial statements.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED
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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Consolidated Cash Flow Statements
For the Financial Years Ended 31 May 2008, 2009 and 2010**

	Note	2008 \$'000	2009 \$'000	2010 \$'000
Cash Flow From Financing Activities				
Interest expense paid		(564)	(569)	(766)
Dividend paid to equity holders of the Company		(10,510)	(9,188)	(8,886)
Repayment of finance lease liabilities		(634)	(386)	(317)
Repayment of bank borrowings		(2,371)	(2,489)	(17,026)
Proceed from bank borrowings		4,800	2,100	22,500
Decrease/(increase) in bank deposits		1,267	(1,808)	(10,324)
Net cash used in financing activities		(8,012)	(12,340)	(14,819)
Net (decrease)/increase in cash and cash equivalents		(2,421)	3,144	5,135
Cash and cash equivalents at beginning of financial year		7,386	5,026	8,172
Effect of currency translation on cash and cash equivalents		61	2	(3)
Cash and cash equivalents at end of financial year	13	5,026	8,172	13,304

*The annexed notes form an integral part of and
should be read in conjunction with this consolidated financial statements*

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Notes to the Financial Statements
For the Financial Years Ended 31 May 2008, 2009 and 2010**

1 Introduction

The consolidated financial statements of Dyna-Mac Holdings Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) for the financial years ended 31 May 2008, 2009, 2010 have been prepared for inclusion in the Prospectus of Dyna-Mac Holdings Ltd. in connection with initial public offering (“IPO”) by the Company of 186,000,000 new ordinary shares.

2 Corporate Information

The Company was incorporated in the Republic of Singapore on 19 June 2003 as a private limited company with issued and paid up capital of 2 ordinary shares at \$2. The Company was converted into a public limited company and the name of the Company was changed to “Dyna-Mac Holdings Ltd.” in connection therewith on 10 February 2011.

The principal activity of the Company is that of investment holding. The registered office address is at 59 Gul Road, Singapore 629354 and the principal place of business is at 45 Gul Road, Singapore 629350.

The principal activities of the subsidiaries are disclosed in Note 3.1.

All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

3 Restructuring Exercise and Basis of Preparation

3.1 Restructuring Exercise

The Restructuring Exercise, comprising the following steps, was undertaken by the Group to streamline the Group structure and to prepare for the listing of the Company:

(i) Incorporation of the Company

The Company was incorporated in the Republic of Singapore on 19 June 2003 as an exempt private company limited by shares to act as the holding company of the Group. On incorporation, the Company’s issued and paid-up share capital was \$2 comprising two ordinary shares, with one ordinary share held by each of Mr Lim Tze Jong and Madam Phee Eng Kit.

On 1 March 2009, Mr Lim Tze Jong acquired the one ordinary share held by Madam Phee Eng Kit for a consideration of \$1.

(ii) Acquisition of Dyna-Mac Engineering Services Sdn. Bhd.

On 2 August 2004, Dyna-Mac Engineering Services Pte Ltd acquired the entire issued and paid-up share capital of Dyna-Mac Engineering Services Sdn. Bhd. from Mr Lim Tze Jong and Madam Phee Eng Kit (each holding 99,999 and one ordinary shares, respectively) for an aggregate consideration of RM100,000. The consideration was based on the paid-up capital of Dyna-Mac Engineering Services Sdn. Bhd..

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
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31 MAY 2008, 2009 AND 2010**

**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Notes to the Financial Statements
For the Financial Years Ended 31 May 2008, 2009 and 2010**

3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

(iii) Acquisition of Singapore Subsidiaries

On 31 March 2009, pursuant to a sale and purchase agreement dated 1 March 2009, as supplemented by a restructuring and supplemental agreement dated 25 November 2010 (collectively, the “Restructuring Agreement”), the Company completed the following acquisitions:

- (a) the entire shareholding of Dyna-Mac Engineering Services Pte Ltd comprising 1,000,000 ordinary shares held by Madam Phee Eng Kit, Mr Lim Tze Jong, Mr Teo Boon Hwee and Mr Lim Tjew Yok (each holding 134,000, 766,000, 50,000 and 50,000 ordinary shares, respectively) for an aggregate consideration of \$12,003,330. The consideration was based on the audited net assets of Dyna-Mac Engineering Services Pte Ltd as at 31 May 2008;
- (b) the entire shareholding of Dyna-Mac Corrosion Technology Pte. Ltd. comprising one ordinary share held by Mr Lim Tze Jong for a nominal consideration of \$1 based on the paid-up capital of Dyna-Mac Corrosion Technology Pte. Ltd.;
- (c) the entire shareholding of Dyna-Mac Offshore Services Pte. Ltd. comprising four ordinary shares held by Madam Phee Eng Kit, Mr Lim Tze Jong, Mr Teo Boon Hwee and Mr Lim Tjew Yok (each holding one ordinary share) for an aggregate consideration of \$266,231. The consideration was arrived at based on the audited net assets of the Dyna-Mac Offshore Services Pte. Ltd. as at 31 May 2008;
- (d) the entire shareholding of Dyna-Mac Fabricator Pte. Ltd. comprising four ordinary shares held equally by Madam Phee Eng Kit, Mr Lim Tze Jong, Mr Teo Boon Hwee and Mr Lim Tjew Yok for a total nominal consideration of \$4 based on the paid-up capital of Dyna-Mac Fabricator Pte. Ltd.; and
- (e) the entire shareholding of Dyna-Mac Marine and Heavy Engineering Pte. Ltd. comprising one ordinary share held by Mr Lim Tze Jong for a consideration of \$11,706,287. The consideration was based on the audited net assets of Dyna-Mac Marine and Heavy Engineering Pte. Ltd. as at 31 May 2008.

Upon completion of the acquisitions, each of Dyna-Mac Engineering Services Pte Ltd (along with its wholly owned subsidiary Dyna-Mac Engineering Services Sdn. Bhd.), Dyna-Mac Corrosion Technology Pte. Ltd., Dyna-Mac Offshore Services Pte. Ltd., Dyna-Mac Fabricator Pte. Ltd. and Dyna-Mac Marine and Heavy Engineering Pte. Ltd. became wholly-owned subsidiaries of the Company.

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Dyna-Mac Holdings Ltd. and Its Subsidiaries
Notes to the Financial Statements
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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

(iv) Acquisition DMP Engineering Pte. Ltd.

On 31 March 2009, the entire shareholding of DMP Engineering Pte. Ltd. comprising two ordinary shares held by Ms Tiong Sai Lan was transferred to the Company for a nominal consideration of \$2.00 based on the paid-up capital of DMP Engineering Pte. Ltd.. Upon completion, DMP Engineering Pte. Ltd. became a wholly-owned subsidiary of the Company.

(v) Increase of issued and paid-up share capital of the Company

On 31 May 2009, the Company allotted and issued 2,499,998 ordinary shares to Mr Lim Tze Jong by way of bonus issue. The consideration for the issue amounting to \$2,499,998 was capitalised from the Company’s retained profits.

(vi) Subscription of new ordinary shares in Dyna-Mac Offshore Services Pte. Ltd., Dyna-Mac Marine and Heavy Engineering Pte. Ltd. and DMP Engineering Pte. Ltd..

On 31 March 2009, the Company subscribed for 499,996 and 999,999 new ordinary shares in Dyna-Mac Offshore Services Pte. Ltd. and Dyna-Mac Marine and Heavy Engineering Pte. Ltd., respectively at \$1 per share.

Upon completion of the subscription, Dyna-Mac Offshore Services Pte. Ltd.’s issued and paid-up share capital increased to \$500,000 comprising 500,000 ordinary shares, whereas, the issued and paid-up share capital of Dyna-Mac Marine and Heavy Engineering Pte. Ltd. was increased to \$1,000,000 comprising 1,000,000 ordinary shares.

On the same date, the Company and Paliy Marine Engineering Pte. Ltd., each subscribed for 54,998 and 45,000 new ordinary shares in the capital of DMP Engineering Pte. Ltd., respectively. Upon completion of the subscription, DMP Engineering Pte. Ltd. became a 55% held subsidiary of the Company. On 10 February 2011, the Company applied for DMP Engineering Pte. Ltd. to be struck off from Singapore Register of Companies as DMP Engineering Pte. Ltd. has been dormant since incorporation.

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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

(vii) Incorporation of Dyna-mac Engineering (HK) Pte Limited

On 19 February 2010, the Company together with Paliy Marine Engineering Pte. Ltd., incorporated Dyna-mac Engineering (HK) Pte Limited in Hong Kong. As at the date of this report, no share in Dyna-mac Engineering (HK) Pte Limited have been issued and allotted to the Company and Paliy Marine Engineering Pte. Ltd., and Dyna-mac Engineering (HK) Pte Limited remains as a dormant company. As at the date of this report, Paliy Marine Engineering Pte. Ltd. has indicated that it does not intend to subscribe for the shares in Dyna-mac Engineering (HK) Pte Limited due to a change in its business plans. As such, the Company will be the sole shareholder of Dyna-mac Engineering (HK) Pte Limited upon the issue and allotment of shares to the Company.

(viii) Further increase in the share capital of the Company

On 18 June 2010, pursuant to the Restructuring Agreement, the Company allotted and issued an additional 23,975,853 new ordinary shares to Mr Lim Tze Jong as full consideration for the acquisition of Dyna-Mac Engineering Services Pte Ltd (along with its wholly owned subsidiary Dyna-Mac Engineering Services Sdn. Bhd.), Dyna-Mac Corrosion Technology Pte. Ltd., Dyna-Mac Offshore Services Pte. Ltd., Dyna-Mac Fabricator Pte. Ltd. and Dyna-Mac Marine and Heavy Engineering Pte. Ltd. as described in paragraph (iii) above.

(ix) Incorporation of Dyna-Mac Do Brasil Construções Ltda.

On 26 October 2010, Dyna-Mac Offshore Services Pte. Ltd., together with Dyna-Mac Marine and Heavy Engineering Pte. Ltd., incorporated Dyna-Mac Do Brasil Construções Ltda. in Rio de Janeiro, Brazil to undertake modules business in Brazil. As at the date of this report, the capital stock of Dyna-Mac Do Brasil Construções Ltda. is R\$1,200,000, of which 60% is held by Dyna-Mac Offshore Services Pte. Ltd. and 40% is held by Dyna-Mac Marine and Heavy Engineering Pte. Ltd.. The capital stock of Dyna-Mac Do Brasil Construções Ltda. has not yet been paid up.

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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

Upon completion of the Restructuring Exercise, the Company has the following subsidiaries:

Name of subsidiary	Principal activities	Country and date of incorporation	Issued capital	Equity interest held %
<u>Held by the Company</u>				
Dyna-Mac Engineering Services Pte Ltd ⁽¹⁾	Contractors for project management, engineering, fabrication and installation of land and marine works	Singapore 19 June 1990	\$1,000,000	100
Dyna-Mac Marine and Heavy Engineering Pte. Ltd. ⁽¹⁾	Contractors for project management, engineering, fabrication and installation of marine works	Singapore 12 April 2007	\$1,000,000	100
Dyna-Mac Corrosion Technology Pte. Ltd. (formerly known as “Prominent Corrosion Technology Pte. Ltd.”) ⁽¹⁾ ⁽⁵⁾	Contractors for sandblasting and painting	Singapore 12 April 2007	\$1	100

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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

Name of subsidiary	Principal activities	Country and date of incorporation	Issued capital	Equity interest held %
<u>Held by the Company</u>				
Dyna-Mac Offshore Services. Pte. Ltd. (formerly known as “Dyna-Mac Marine & Offshore Services Pte. Ltd.”) ⁽¹⁾	Contractors for repair and marine works	Singapore 18 June 2005	\$500,000	100
Dyna-Mac Fabricator Pte. Ltd. ^{(1) (5)}	Contractors for construction works	Singapore 18 June 2005	\$4	100
DMP Engineering Pte. Ltd. ^{(1) (5)}	Contractors for project management, engineering and construction of barges	Singapore 25 July 2008	\$100,000	55
Dyna-mac Engineering (HK) Pte Limited ⁽⁴⁾	Provides project management services for projects in the PRC	Hong Kong 19 February 2010	HK\$1,000,000 ⁽⁶⁾	100

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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

Name of subsidiary	Principal activities	Country and date of incorporation	Issued capital	Equity interest held %
<u>Held by Dyna-Mac Engineering Services Pte Ltd</u>				
Dyna-Mac Engineering Services Sdn. Bhd. ⁽³⁾	Contractors for construction works	Malaysia 2 November 1993	RM300,000	100
<u>Held by Dyna-Mac Offshore Services Pte. Ltd. and Dyna-Mac Marine and Heavy Engineering Pte. Ltd.</u>				
Dyna-Mac Do Brasil Construções Ltda.	(i) the fabrication, sale, installation and repair of modules for oil rigs 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 26 October 2010	R\$1,200,000 ⁽⁷⁾	100

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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

Name of associated company	Principal activities	Country and date of incorporation	Issued capital	Equity interest held %
<u>Held by Dyna-Mac Engineering Services Sdn. Bhd.</u>				
Eminent Offshore & Heavy Engineering Sdn Bhd ⁽²⁾	Contractors for project management, engineering and construction of barges	Malaysia 3 June 2009	RM1,000,000	33

Note:

1. Audited by Nexia TS Public Accounting Corporation, a member firm of Nexia International.
2. Audited by TY & Associates for consolidation purposes.
3. Audited by TY Teoh & Co Chartered Accountants, a member of TT Consulting Group for local statutory purposes.
4. No audit is required as the Company was incorporated on 19 February 2010.
5. Currently in the process of being struck off from the Singapore Register of Companies.
6. Authorised, and not issued share capital of Dyna-mac Engineering (HK) Pte Limited.
7. As at the date of this report, the capital stock of Dyna-Mac Do Brasil Construções Ltda. has yet to be paid up.

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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Notes to the Financial Statements
For the Financial Years Ended 31 May 2008, 2009 and 2010**

4 Summary of Significant Accounting Policies

4.1 Statement of Compliance

The financial statements of the Group are prepared in accordance with FRS including related Interpretations promulgated by the Accounting Standards Council (“ASC”) and have been consistently applied throughout the financial years ended 31 May 2008, 2009 and 2010.

The consolidated financial statements have been prepared under historical cost convention, except as disclosed in the accounting policies below.

4.2 Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with FRS requires the Company’s management to exercise its judgement in the process of the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities and which are not readily apparent from other sources. Actual results may differ from these estimates.

At the date of this report, the Directors of the Company have considered and anticipated that the adoption of FRS that were in issue but not effective will not have any material impact on the consolidated financial statements.

The Group and the Company have not early adopted the applicable new/revised FRS and Interpretations to FRS (“INT FRS”) issued by the Accounting Standards Council (“ASC”) that are relevant to its operations and effective for annual period beginning 1 January 2010.

**APPENDIX A – INDEPENDENT AUDITORS’ REPORT ON THE CONSOLIDATED
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Dyna-Mac Holdings Ltd. and Its Subsidiaries
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4 Summary of Significant Accounting Policies (continued)

4.3 Changes in accounting policies

The Group has early adopted FRS and Interpretations to FRS (“INT FRS”), which are effective for accounting periods beginning on or after 1 January 2009, issued by the ASC for the preparation of these consolidated financial statements of the Group since 1 June 2007. FRS 101, First-time Adoption of Financial Reporting Standards, have been applied in preparing these consolidated financial statements.

The early adoption of FRS and INT FRS which are effective for periods beginning on or after 1 January 2009 did not result in any substantial changes to the Group’s accounting policies nor any significant impact on these consolidated financial statements.

4.4 Group accounting

(a) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half 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. They are excluded from the date that control ceases.

Shares in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiaries basis.

The acquisition of subsidiaries under common control of the Company’s shareholders have been consolidated using the “pooling-of-interest” method, as the Restructuring Exercise completed as described in Note 3 is a legal reorganisation of entities under common control. In applying the “pooling-of-interest” method, the consolidated statement of comprehensive income and the consolidated cash flow statement include the result of operations and cash flows of the companies comprising the Group as at 31 May 2008 as if the structure of the Group had been in existence prior to that date. The assets and liabilities are brought into the consolidated balance sheet at their existing carrying amount. Any difference between the amounts recorded as share capital issued and the amount of the share capital acquired are adjusted against equity.

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4 Summary of Significant Accounting Policies (continued)

4.4 Group accounting (continued)

(a) Subsidiaries (continued)

The acquisition of subsidiaries not under common control of the Company’s shareholders is consolidated using the purchase method. Under the purchase method, the cost of an acquisition is measured as 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. Identifiable assets, liabilities and contingent liabilities of the subsidiaries in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group’s share of the net fair value of the subsidiary’s identifiable net assets, liabilities and contingent liabilities over the cost of acquisition is recorded as goodwill.

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.

(b) Consolidated Financial Statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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.

The consolidated financial statements of the Group for the financial year ended 31 May 2008 have been prepared under the “pooling-of-interest” method, as the Restructuring Exercise was completed subsequent to that financial year as described in Note 3.1. Accordingly, the consolidated results of the Group for the financial year ended 31 May 2008 include the results of the Company and subsidiaries under common control for the entire period.

Pursuant to this:

- Assets and liabilities are consolidated at their existing carrying amounts;
- No amount is recognised for goodwill; and
- The Group’s share capital represents the subsidiaries’ paid-up share capital for the financial year ended 31 May 2008.

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4 Summary of Significant Accounting Policies (continued)

4.4 Group accounting (continued)

(c) Associated company

Associated company is entities 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.

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.

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.

Gains or losses arising from partial disposals or dilutions in investment in associated company are recognised in profit or loss.

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

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4 Summary of Significant Accounting Policies (continued)

4.4 Group accounting (continued)

(d) Transaction with minority interests

The Group applies a policy treating transaction with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recognised in profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the Group’s incremental share of the carrying value of identifiable net assets of the subsidiary.

4.5 Property, Plant and Equipment

(a) Measurement

(i) Freehold land and building

Freehold land and buildings are initially recognised at cost and are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

All other decreases in carrying amounts are charged to the profit or loss.

(ii) Other property, plant and equipment

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

(iii) Components of costs

The cost of an item of property, plant and equipment 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.

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4 Summary of Significant Accounting Policies (continued)

4.5 Property, Plant and Equipment (continued)

(b) Depreciation

Depreciation is calculated on a straight-line basis to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold land and building	-	50 years
Office building	-	22 years
Furniture & fittings and office equipment	-	5 years
Computers	-	3 years
Site building and yard improvement	-	5 – 22 years
Site equipment and tools	-	5 years
Motor vehicles	-	5 years

Site building and yard improvement under construction is stated at cost. Site building and yard improvement under construction is not depreciated as these assets are not available for use.

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 of the residual values and useful lives are included in the profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(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. Other subsequent expenditure is recognised as repair and maintenance expense in the profit or loss during the financial year in which it is 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 the profit or loss.

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4 Summary of Significant Accounting Policies (continued)

4.6 *Investment Properties*

Investment properties are held for the primary purpose of producing rental income and are not held for resale in the ordinary course of business.

Investment properties are initially recognised at cost and subsequently carried at fair value determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in the profit or loss.

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

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

4.7 *Financial assets*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Loan and Receivables

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 maturing 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 cash equivalents” on the balance sheet.

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4 Summary of Significant Accounting Policies (continued)

4.8 Impairment of Non-Financial Assets

Property, plant and equipment 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 flows 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 the 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.

A reversal of impairment loss for an asset is recognised in the profit or loss.

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4 Summary of Significant Accounting Policies (continued)

4.9 Trade and Other Payables

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

4.10 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.

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 the profit or loss account over the period of the borrowings using the effective interest method.

4.11 Revenue recognition

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria for each of the Group’s activities are met as follows:

(a) Contract Revenue

Revenue from fabrication of topside process module for Module Business, Ad Hoc Project (Hull of FPU) and Ad Hoc Project (Other services) is recognised based on percentage of completion method in proportion to the stage of completion, provided that the outcome of such work can be reliably estimated.

Please refer to the paragraph “Construction Contracts” for more details on accounting policy for revenue from construction contracts.

(b) Rental Income

Income from rental of containers is recognised on a straight-line basis over the lease term.

(c) Interest Income

Interest income is recognised using the effective interest method.

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4 Summary of Significant Accounting Policies (continued)

4.12 Currency Transactions

(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 consolidated financial statements of the Group are presented in Singapore Dollar, which is the Group’s functional currency.

(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 prevailing at the dates of transactions. Currency translation differences 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 the profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(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 rate at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates; and
- (iii) All resulting foreign currency translation differences are recognised in the currency translation reserve.

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4 Summary of Significant Accounting Policies (continued)

4.13 Income Taxes

Current Taxation

Current income tax for current and prior periods is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred Taxation

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, 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 recognised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is recognised 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.

Current and deferred income taxes are recognised as income or expense in the 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.

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4 Summary of Significant Accounting Policies (continued)

4.14 Construction Contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised as revenue and expense 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 only 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 only included in 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 percentage of completion is assessed by reference to the completion of a physical proportion of contract work. Costs incurred during the financial year in connection with future activity on a contract are excluded from 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 customers, in which case, such costs are recognised as an expense immediately.

At the balance date, the aggregate costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the costs incurred plus 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 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 are included within “trade and other receivables”. Advances received are included within “trade and other payables”.

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4 Summary of Significant Accounting Policies (continued)

4.15 Employee Benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group’s contributions are recognised as employee compensation expense when they are due, unless they can be recognised as an asset.

4.16 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.

Finance leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership 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 at the lower of the fair values of the leased assets and the present values of the minimum lease payments. Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance expense is recognised in the profit or loss on a basis that reflects a constant periodic rate of interest on the remaining balance of the finance lease liability.

Operating leases

Leases of property, plant and equipment 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 the profit or loss on a straight-line basis over the period of the lease.

Contingent rents, if any, are recognised as an expense in the profit or loss in the financial year in which they are incurred.

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4 Summary of Significant Accounting Policies (continued)

4.16 Leases (continued)

(b) When the Group is the lessor:

The Group leases certain property, plant and equipment and investment property under operating leases to non-related parties.

Operating leases

Leases of certain property, plant and equipment and investment property where the Group retains substantially all risks and reward incidental to ownership are classified as operating leases.

Rental income from operating leases (net of any incentives given to lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income.

Contingent rents, if any, are recognised as income in the profit or loss in the financial year in which they are earned.

4.17 Provision

Provision is 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.

4.18 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

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4 Summary of Significant Accounting Policies (continued)

4.19 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.

4.20 Dividends

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

4.21 Borrowing Costs

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

4.22 Segment reporting

A business segment is distinguishable component of the Group engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

4.23 Fair Value Estimation of Financial Assets and Liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

4.24 Derivative Financial Instrument

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 to or do not qualify for hedge accounting are recognised in the profit or loss when the changes arise.

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4 Summary of Significant Accounting Policies (continued)

4.25 Inventories

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 finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowings costs.

4.26 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.

5 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects both current and future periods.

(a) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group are depreciated on a straight-line basis over the useful lives of the assets. The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet. Changes in the expected level of usage could impact the economic useful life and the residual value of the asset, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment at the balance sheet date is disclosed in Note 20.

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5 Critical Accounting Estimates, Assumptions and Judgements (continued)

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgements as to whether there is observable date indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the market, economic or legal environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recognised in the profit or loss. The carrying amount of trade and other receivables at the balance sheet date is disclosed in Note 14.

(c) Construction contracts

The Group recognises contract revenues based on the stage of completion method. 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 the contract cost incurred, the estimated total contract costs, as well as the recoverability of the contracts. In making the judgement, the Group evaluates by relying on past experience. The carrying amount of construction contract work-in-progress at the balance sheet date is disclosed in Note 15.

(d) Income taxes

The Group is subject to income taxes in Singapore. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amounts of current income tax liabilities and deferred income tax liabilities at the balance sheet date are disclosed in Notes 11(b) and 24 respectively.

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5 Critical Accounting Estimates, Assumptions and Judgements (continued)

(e) Valuation of investment properties

Critical judgements are made by management in respect of the fair values of investment properties. The fair values of investment properties are reviewed regularly by management with reference to external independent property valuations, recent offers and market conditions existing at the balance sheet date, using generally accepted market practices. The critical assumptions underlying management’s estimates of fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, discount rates that reflect current market uncertainties and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair values of investment properties may differ.

(f) Contingencies

The Group reviews outstanding legal cases following developments in the legal proceedings at each balance sheet date, in order to assess the need for provisions in its financial statements. Among the factors considered in making decisions on provisions are the nature of the litigation, claim or assessment, the legal processes and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including progress after the date of the financial statements but before those statements are issued), the opinions or views of legal counsel and other advisers, experience of similar cases and any decision of the Group’s management as to how it will respond to the litigation, claim or assessment.

Realisation of any contingent liabilities not currently recognised could have a material effect on the Group’s financial statements.

To the extent that the Group’s assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be materially affected, with an adverse impact upon the Group’s profit from operations, financial position and liquidity.

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6 Revenue

	2008	2009	2010
	\$'000	\$'000	\$'000
Module business	108,075	107,655	214,061
Ad Hoc projects (Hull of FPU)	88,081	3,793	-
Ad Hoc projects (Other services)	14,753	9,409	4,480
	<u>210,909</u>	<u>120,857</u>	<u>218,541</u>

7 Other Income

	2008	2009	2010
	\$'000	\$'000	\$'000
Fair value gain on investment properties (Note 19)	585	-	-
Foreign exchange gain, net	-	439	645
Gain on disposal of property, plant and equipment	9	44	-
Government grant – Jobs credit scheme	-	109	462
Interest income - Bank deposits	400	54	25
Rental income:			
- Rental of warehouse, office & containers	844	728	845
- Rental of investment properties (Note 19)	282	306	248
Other	463	268	235
	<u>2,583</u>	<u>1,948</u>	<u>2,460</u>

The jobs credit scheme is a cash grant introduced in the Singapore Budget 2009 to help business preserve jobs in the economic downturn. The jobs credit will be paid to eligible employers in 2009 and 2010 in four payments and the amount an employer can receive would depend on the fulfillment of the conditions as stated in the scheme.

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8 Expenses by Nature

	2008 \$'000	2009 \$'000	2010 \$'000
Materials	40,769	29,961	58,889
Sub-contractor charges ^a	97,344	48,492	80,809
Direct overheads ^b	27,236	11,250	25,012
Rental of workshop and sites	4,270	3,198	3,048
Depreciation of property, plant and equipment	805	659	590
Allowance for impairment of trade receivables	319	301	1,512
Impairment in investment of club memberships	-	-	11
Impairment loss of goodwill	92	-	-
Total depreciation and impairment	1,216	960	2,113
Entertainment and refreshment	1,883	967	922
Legal and professional expenses	1,872	1,507	298
Loss on disposal of property, plant and equipment	-	-	33
Transportation and traveling expenses	1,081	695	995
Repair and maintenance	288	902	915
Employee compensation (Note 9)	8,331	10,919	12,290
Insurance	360	578	512
Advertisement	237	393	411
Property tax	64	432	430
Telephone and telefax	183	254	236
Other	1,376	841	1,168
Total cost of sales and administrative expenses	186,510	111,349	188,081

a Included in the sub-contractor charges for financial year ended 31 May 2010 is write-off of property, plant and equipment amounting to \$1,503,000.

b Included in the direct overheads for financial years ended 31 May 2008, 2009 and 2010 is depreciation of property, plant and equipment directly used in the projects amounting to \$4,640,000; \$4,006,000 and \$5,254,000 respectively.

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9 Employee Compensation

	2008	2009	2010
	\$'000	\$'000	\$'000
Salaries, wages and bonuses	7,024	9,296	10,926
Welfare, medical and other benefits	901	1,159	783
Employer's contribution to defined contribution plans including Central Provident Fund ("CPF")	406	464	581
	<hr/> 8,331	<hr/> 10,919	<hr/> 12,290

10 Finance Expenses

	2008	2009	2010
	\$'000	\$'000	\$'000
Interest expense:			
- bank borrowings	511	530	721
- bank overdraft	1	-	-
- finance lease liabilities	52	39	45
	<hr/> 564	<hr/> 569	<hr/> 766

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11 Income Taxes

(a) <u>Income tax expense</u>		2008	2009	2010
		\$'000	\$'000	\$'000
Tax expense attributable to profit is made up of:				
<i>Profit from current financial year:</i>				
Current income tax:				
- Singapore	3,401	572	3,924	
Deferred income taxes (Note 24)	1,338	2,234	1,401	
	<u>4,739</u>	<u>2,806</u>	<u>5,325</u>	
<i>Under provision of current income tax in prior financial years</i>	-	-	1,332	
	<u>4,739</u>	<u>2,806</u>	<u>6,657</u>	

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

		2008	2009	2010
		\$'000	\$'000	\$'000
Profit before income tax	<u>26,418</u>	<u>10,887</u>	<u>32,108</u>	
Tax calculated at income tax rate of (2008:18%); (2009:17%); (2010:17%)	4,755	1,851	5,458	
Effects of:				
- Expenses not deductible for tax purposes	226	1,143	1,207	
- Income not subject to tax	(108)	(114)	(173)	
- Utilisation of capital allowance	-	(145)	(1,638)	
- Partial tax exemption	(99)	(34)	(36)	
- Other	(35)	105	507	
Tax charge	<u>4,739</u>	<u>2,806</u>	<u>5,325</u>	

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11 Income Taxes (continued)

(b) Movements in current income tax liabilities

	2008	2009	2010
	\$'000	\$'000	\$'000
Beginning of financial year	4,085	5,806	3,436
Currency translation differences	(15)	-*	-*
Income tax paid	(1,665)	(2,942)	(3,658)
Income tax expense	3,401	572	3,924
Under provision in prior financial years	-	-	1,332
End of financial year	<u>5,806</u>	<u>3,436</u>	<u>5,034</u>

* Amount is less than \$1,000

12 Earnings per Share

For illustrative purpose, the calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company for the financial years ended 31 May 2008, 2009 and 2010 and on 714,285,000 ordinary shares in issue as at the date of this report, representing the pre-invitational share capital.

There were no diluted earnings per share for the financial years ended 31 May 2008, 2009 and 2010 as there were no potential ordinary shares outstanding.

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13 Cash and Cash Equivalents

	2008	2009	2010
	\$'000	\$'000	\$'000
Cash at bank and on hand	5,202	8,172	13,304
Short-term bank deposits	7,810	9,618	19,942
	<u>13,012</u>	<u>17,790</u>	<u>33,246</u>

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	2008	2009	2010
	\$'000	\$'000	\$'000
Cash and cash equivalents (as above)	13,012	17,790	33,246
Less: Bank deposits pledged	(1,099)	(1,102)	(19,103)
Less: Bank deposit with maturity more than 3 months	(6,711)	(8,516)	(839)
Less: Bank overdraft (Note 22)	(176)	-	-
Cash and cash equivalents per consolidated cash flow statement	<u>5,026</u>	<u>8,172</u>	<u>13,304</u>

Short-term bank deposits of the Group have been pledged to the banks to secure banking facilities granted to the Group (Note 22).

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14 Trade and Other Receivables

	2008	2009	2010
	\$'000	\$'000	\$'000
Trade receivables:			
- Non-related parties	33,385	27,588	25,543
- Related parties	-	717	1,009
	33,385	28,305	26,552
Less: Allowance for impairment of receivables – non-related parties [Note 31(b)(ii)]	(350)	(630)	(1,647)
Trade receivables, net	33,035	27,675	24,905
Construction contracts:			
- Due from customers (Note 15)	24,308	15,758	27,101
Staff loans	129	110	25
Other receivables	151	844	851
	57,623	44,387	52,882

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15 Construction Contract Work-In-Progress

	2008 \$'000	2009 \$'000	2010 \$'000
<i>Construction contract work-in-progress</i>			
Beginning of financial year	666	464	1,154
Contract costs incurred during financial year	169,417	93,591	166,604
Contract expenses recognised in the profit or loss during the financial year	(169,619)	(92,901)	(167,758)
End of financial year	464	1,154	-*
Aggregate costs incurred and profits recognised (less recognised losses) to date on uncompleted construction contracts	198,205	80,792	203,417
Less: progress billings	(179,506)	(75,303)	(176,316)
	18,699	5,489	27,101
Presented as:			
Due from customers on construction contracts (Note 14)	24,308	15,758	27,101
Due to customers on construction contracts (Note 21)	(5,609)	(10,269)	-
	18,699	5,489	27,101
Advances received on construction contracts (Note 21)	-	5,400	4,401

* Amount is less than \$1,000.

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16 Inventories

	2008	2009	2010
	\$'000	\$'000	\$'000
Steels and other raw materials	-	7,172	2,688

The cost of inventories recognised as an expense and included in “cost of sales” for financial years ended 31 May 2008, 2009 and 2010 amounted to \$40,769,000, \$29,961,000 and \$58,889,000 respectively (Note 8).

17 Other Current Assets

	2008	2009	2010
	\$'000	\$'000	\$'000
Deposits	613	678	515
Prepayments	71	406	337
Deferred IPO cost	-	-	1,299
	684	1,084	2,151

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18 Investment in an Associated Company

	2008	2009	2010
	\$'000	\$'000	\$'000
<i>Unquoted equity investments, at cost</i>			
Beginning of financial year	-	-	-
Investment	-	-	127
Share of loss	-	-	(46)
End of financial year	-	-	81
The summarised financial information of associated company is as follows:			
- Assets	-	-	270
- Liabilities	-	-	-*
- Revenue	-	-	-
- Net loss	-	-	(154)

* Amount is less than \$1,000.

19 Investment Properties

	2008	2009	2010
	\$'000	\$'000	\$'000
Beginning of financial year	7,969	9,000	9,713
Improvements during the financial year	446	713	203
Net fair value gain recognised in the profit or loss (Note 7)	585	-	-
End of financial year	9,000	9,713	9,916

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19 Investment Properties (continued)

Investment properties are carried at fair value at the balance sheet date as determined by independent professional valuers. Valuations are made annually based on the properties’ highest-and-best-use using the Direct Market Comparison Method.

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

Investment properties are mortgaged to secure bank borrowings (Note 22).

The following amounts are recognised in the consolidated statement of comprehensive income:

	2008	2009	2010
	\$’000	\$’000	\$’000
Rental income (Note 7)	282	306	248
Direct operating expenses arising from investment properties that generated rental income	(246)	(282)	(221)

Details of investment properties held by the Group are as follows:

<u>Location</u>	<u>Description</u>	<u>Existing Use</u>	<u>Tenure</u>	<u>Unexpired term of lease</u>
37 Tech Park Crescent	4- Storey semi-detached dormitory	Commercial	Leasehold	43
39 Tech Park Crescent	4- Storey semi-detached dormitory	Commercial	Leasehold	43

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20 Property, Plant and Equipment

Cost	Freehold Land & Building \$'000	Office Building \$'000	Furniture & Fittings and Office Equipment \$'000	Computers \$'000	Site Building & Yard Improvement \$'000	Site Equipment & Tools \$'000	Motor Vehicles \$'000	Site Building & Yard Improvement under Construction \$'000	Total \$'000
At 1 June 2007	131	902	2,421	895	6,735	10,680	1,466	2,840	26,070
Currency translation differences	(5)	-	-	-	-	-	-	-	(5)
Additions	-	31	358	166	4,444	4,053	966	12,612	22,630
Disposal	-	-	-	-	-	(26)	(1,589)	-	(1,615)
At 31 May 2008	126	933	2,779	1,061	11,179	14,707	843	15,452	47,080
Currency translation differences	(3)	-	-	-	-	-	-	-	(3)
Additions	-	-	359	224	13,470	1,704	664	1,950	18,371
Disposal	-	-	-	-	-	-	(313)	-	(313)
Transfer	-	-	-	-	15,156	-	-	(15,156)	-
At 31 May 2009	123	933	3,138	1,285	39,805	16,411	1,194	2,246	65,135
Currency translation differences	3	-	-	-	-	-	-	-	3
Additions	-	-	215	119	17,795	2,170	547	451	21,297
Disposal	-	-	-	-	-	-	(367)	-	(367)
Transfer	-	-	-	-	2,654	43	-	(2,697)	-
Written-off	-	-	-	-	(1,645)	-	-	-	(1,645)
At 31 May 2010	126	933	3,353	1,404	58,609	18,624	1,374	-	84,423

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20 Property, Plant and Equipment (continued)

<i>Accumulated Depreciation</i>	<u>Freehold Land & Building \$'000</u>	<u>Office Building \$'000</u>	<u>Furniture & Fittings and Office Equipment \$'000</u>	<u>Computers Improvement \$'000</u>	<u>Site Building & Yard Improvement \$'000</u>	<u>Site Equipment & Tools \$'000</u>	<u>Motor Vehicles \$'000</u>	<u>Site Building & Yard Improvement under Construction \$'000</u>	<u>Total \$'000</u>
At 1 June 2007	26	559	654	540	1,304	2,053	582	-	5,718
Currency translation differences	(1)	-	-	-	-	-	-	-	(1)
Charge for the financial year	2	126	432	185	1,896	2,571	233	-	5,445
Disposals	-	-	-	-	-	(26)	(562)	-	(588)
At 31 May 2008	27	685	1,086	725	3,200	4,598	253	-	10,574
Currency translation differences	(1)	-	-	-	-	-	-	-	(1)
Charge for the financial year	2	11	235	294	1,184	2,765	174	-	4,665
Disposals	-	-	-	-	-	-	(94)	-	(94)
At 31 May 2009	28	696	1,321	1,019	4,384	7,363	333	-	15,144
Currency translation differences	-*	-	-	-	-	-	-	-	-
Charge for the financial year	2	11	283	151	1,948	3,199	250	-	5,844
Disposals	-	-	-	-	-	-	(112)	-	(112)
Written-off	-	-	-	-	(142)	-	-	-	(142)
At 31 May 2010	30	707	1,604	1,170	6,190	10,562	471	-	20,734

*Amount less than \$1,000.

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20 Property, Plant and Equipment (continued)

<i>Net Book Value</i>	Freehold Land & Building \$'000	Office Building \$'000	Furniture & Fittings and Office Equipment \$'000	Computers \$'000	Site Building & Yard Improvement \$'000	Site Equipment & Tools \$'000	Motor Vehicles \$'000	Site Building & Yard Improvement under Construction \$'000	Total \$'000
At 31 May 2008	99	248	1,693	336	7,979	10,109	590	15,452	36,506
At 31 May 2009	95	237	1,817	266	35,421	9,048	861	2,246	49,991
At 31 May 2010	96	226	1,749	234	52,419	8,062	903	-	63,689

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20 Property, Plant and Equipment (continued)

- (a) Included in additions in the consolidated financial statements are site equipments and tools, and motor vehicles acquired by means of finance leases as follows:

	2008 \$'000	2009 \$'000	2010 \$'000
Site equipments & tools	214	197	-
Motor vehicles	311	215	299
	<u>525</u>	<u>412</u>	<u>299</u>

The carrying amounts of site equipment & tools, and motor vehicles held under finance leases at the balance sheet date are as follows:

	2008 \$'000	2009 \$'000	2010 \$'000
Site equipments & tools	405	490	309
Motor vehicles	559	565	886
	<u>964</u>	<u>1,055</u>	<u>1,195</u>

- (b) Freehold land & building and site building and yard improvement of the Group are mortgaged to the bank to secure bank borrowings granted to the Group [Note 22(a)] as follows:

	2008 \$'000	2009 \$'000	2010 \$'000
Freehold land & building	99	95	96
Site building & yard improvement	-	3,060	18,607
	<u>99</u>	<u>3,155</u>	<u>18,703</u>

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20 Property, Plant and Equipment (continued)

Details of properties leased by the Group as at 31 May 2010 are as follows:

<u>Location</u>	<u>Description</u>	<u>Existing Use</u>	<u>Gross floor area (sq m)</u>
31 Gul Road	Workshop	Commercial	6,006
33 Gul Road	Custom-built factory	Commercial	26,640
45 Gul Road	Custom-built factory	Commercial	38,028
59 Gul Road	Custom-built factory	Commercial	39,666
13 Pandan Crescent	Custom-built factory	Commercial	29,975
19 Joo Koon Crescent	Workshop	Commercial	7,346

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21 Trade and Other Payables

	2008	2009	2010
	\$'000	\$'000	\$'000
Trade payables			
- Non-related parties	55,195	62,017	77,491
- Related parties	204	-	-
	55,399	62,017	77,491
Construction contracts:			
- Advances received (Note 15)	-	5,400	4,401
- Due to customers (Note 15)	5,609	10,269	-
	5,609	15,669	4,401
Accrual for staff bonus	2,276	-	2,514
Employee tax retention	770	861	1,068
Other accrual for operating expenses	794	1,391	2,910
Other payables	299	1,025	890
Dividends payable	3,096	308	13,422
Non-trade amounts due to related party	39	-	-
	68,282	81,271	102,696

The non-trade amounts due to related party are unsecured, interest-free and are repayable on demand.

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22 Borrowings

	2008	2009	2010
	\$'000	\$'000	\$'000
<i>Current</i>			
Bank borrowings	9,489	9,909	4,294
Finance lease liabilities (Note 23)	253	278	338
Bank overdraft (Note 13)	176	-	-
	<u>9,918</u>	<u>10,187</u>	<u>4,632</u>
<i>Non-current</i>			
Bank borrowings	5,984	5,175	16,264
Finance lease liabilities (Note 23)	449	450	372
	<u>6,433</u>	<u>5,625</u>	<u>16,636</u>
Total borrowings	<u>16,351</u>	<u>15,812</u>	<u>21,268</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:

	2008	2009	2010
	\$'000	\$'000	\$'000
Not later than one year	9,918	10,187	4,632
Between one and five years	4,371	4,026	10,481
Over five years	2,062	1,599	6,155
Total borrowings	<u>16,351</u>	<u>15,812</u>	<u>21,268</u>

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22 Borrowings (continued)

(a) Security granted

At the balance sheet date, bank borrowings are secured by short-term bank deposits (Note 13), a legal mortgage over the Group’s freehold land & building and site building & yard improvement [Note 20(b)] and investment properties (Note 19). Finance lease liabilities of the Group are secured by the rights to the leased site equipment and tools and motor vehicles [Note 20(a)], which will revert to the lessor in the event of default by the Group.

(b) Fair value of non-current borrowings

As at the balance sheet, the fair values of non-current borrowings approximate their carrying amounts. The fair values of non-current borrowings are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	2008		2009		2010	
	SGD %	RM %	SGD %	RM %	SGD %	RM %
Bank borrowings	2.78	8.50	4.02	8.50	3.96	8.50
Finance lease liabilities	5.99	-	6.10	-	6.07	-

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23 Finance Lease Liabilities

	2008 \$'000	2009 \$'000	2010 \$'000
Minimum lease payments due:			
- Not later than one year	283	311	376
- Between one and five years	463	448	400
- Later than five years	23	40	-
	769	799	776
Less: Future finance charges	(67)	(71)	(66)
Present value of finance lease liabilities	702	728	710

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

	2008 \$'000	2009 \$'000	2010 \$'000
Not later than one year (Note 22)	253	278	338
Later than one year (Note 22)			
- Between one and five years	427	411	372
- Later than five years	22	39	-
	449	450	372
Total	702	728	710

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24 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 sheets as follows:

	2008	2009	2010
	\$'000	\$'000	\$'000
<u>Deferred income tax liabilities</u>			
<i>Accelerated tax depreciation</i>			
- to be settled within one year	986	2,141	655
- to be settled after one year	1,120	2,199	5,086
	2,106	4,340	5,741

Movements in deferred income tax account are as follows:

	2008	2009	2010
	\$'000	\$'000	\$'000
<u>Deferred income tax liabilities</u>			
<i>Accelerated tax depreciation</i>			
Beginning of financial year	768	2,106	4,340
Tax charged to profit or loss (Note 11)	1,338	2,234	1,401
	2,106	4,340	5,741

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25 Share Capital

	2008	
	No. of shares	Amount \$'000
Issued and fully paid – Ordinary shares		
Beginning and end of financial year	1,000,012	1,000
	2009	
	No. of shares	Amount \$'000
Issued and fully paid – Ordinary shares		
Beginning of financial year	1,000,012	1,000
Share swap pursuant to restructuring exercise	(1,000,010)	(1,000)
Share issued pursuant to restructuring exercise	23,975,853	23,976
Issuance of bonus shares	2,499,998	2,500
End of financial year	26,475,853	26,476
	2010	
	No. of shares	Amount \$'000
Issued and fully paid – Ordinary shares		
Beginning and end of financial year	26,475,853	26,476

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.

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25 Share Capital (continued)

On 31 May 2009, the Company allotted and issued 2,499,998 ordinary shares to Mr Lim Tze Jong by way of bonus issue. The consideration for the issue amounting to \$2,499,998 was capitalised from the Company’s retained profits.

The Company issued 23,975,853 ordinary shares for the share swap resulting from the restructuring. However, these ordinary shares were subsequently allotted on 18 June 2010. The aggregate consideration of \$23,975,853 was based on the net assets of the subsidiaries as mentioned in Note 3.1.

The newly issued shares rank pari passu in all respects with the previously issued shares.

As the Company officially took over the Group subsequent to 31 May 2008, the share capital in the consolidated balance sheet as at 31 May 2008 represented the Group’s share of registered capital of the Company, Dyna-Mac Engineering Services Pte Ltd, Dyna-Mac Marine and Heavy Engineering Pte. Ltd., Dyna-Mac Offshore Services Pte. Ltd., Dyna-Mac Fabricator Pte. Ltd., and Dyna-Mac Corrosion Technology Pte. Ltd..

26 Dividends

	2008 \$’000	2009 \$’000	2010 \$’000
<i>Ordinary dividends</i>			
Interim tax-exempt (one-tier) dividends declared/paid in respect of the current financial year of \$12.50 per share; \$0.24 per share and \$0.83 per share for financial years ended 31 May 2008, 2009 and 2010 respectively.	12,500	6,400	22,000

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27 Commitments

(a) Capital commitments

Capital expenditure contracted for as at 31 May but not recognised in the financial statements are as follows:

	2008	2009	2010
	\$'000	\$'000	\$'000
Capital commitments in respect of property, plant and equipment	2,571	647	-

(b) Operating lease commitments – where the Group is a lessee

The Group leases various copiers, yards and dormitory. The leases have varying terms, renewal rights and escalation clauses to reflect current market rental and value.

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:

	2008	2009	2010
	\$'000	\$'000	\$'000
Not later than one year	3,732	2,811	2,797
Between one and five years	7,228	6,254	9,082
Later than five years	24,563	24,773	37,320
	35,523	33,838	49,199

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27 Commitments (continued)

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

The Group leases out dormitory and office containers to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increases to the lease payments or contingent rents computed based on their sales achieved during the lease period.

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:

	2008	2009	2010
	\$'000	\$'000	\$'000
Not later than one year	10	121	77

28 Contingencies

- (a) On 6 August 2009, Swanlin Asia Pte Ltd instituted legal proceedings in Singapore against the Group’s main operating subsidiary, Dyna-Mac Engineering Services Pte Ltd (Suit No. 684 of 2009/P), to claim for a sum of \$1,947,758 or alternatively any other sum as the Court sees fit, allegedly for a series of unpaid invoices for work done pursuant to work orders issued by Dyna-Mac Engineering Services Pte Ltd for the Thunderhawk FPU-5500 project.

Dyna-Mac Engineering Services Pte Ltd resisted the entire claim by Swanlin Asia Pte Ltd and counterclaimed the sum of \$1,293,971 (before GST).

Swanlin Asia Pte Ltd also issued a new writ in Suit 549/2010/A on 26 July 2010 for the total sum of \$2,336,256 (after GST) for additional claims in relation to the same project.

Swanlin Asia Pte Ltd subsequently applied to court to consolidate both actions into one. On 19 August 2010, the court gave directions to discontinue Suit No. 684/2009/P and directed the claim and counterclaim in Suit 684/2009/P to be included in the claim in Suit 549/2010/A so that all matters relating to the same project could be decided in one case.

Pursuant to settlement agreement dated 10 January 2011, each of Swanlin Asia Pte Ltd and Dyna-Mac Engineering Services Pte Ltd agreed to settle all their disputes relating to the Thunderhawk project. As part of the settlement agreement, Dyna-Mac Engineering Services Pte Ltd paid \$600,000 to Swanlin Asia Pte Ltd as full and final settlement of all claims which either party has or may have against each other. Each party shall also bear their own respective legal costs in relation to Suite 549/2010/A and Suit 684/2009/P. Swanlin Asia Pte Ltd has on 18 January 2011 filed a notice of discontinuance for the Suit 549/2010/A.

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28 Contingencies (continued)

- (b) Weir LGE Process (“WLGE”) had engaged Dyna-Mac Engineering Services Pte Ltd as sub-contractor to carry out fabrication works for four refrigeration skids, of which two have been completed. Dyna-Mac Engineering Services Pte Ltd is now alleging breach of contract by WLGE, and is claiming for payment of work carried out and completed by Dyna-Mac Engineering Services Pte Ltd for the sum of US\$3,039,344.

WLGE has denied that it is in breach and has alleged that Dyna-Mac Engineering Services Pte Ltd was in breach of contract by failing to complete the remaining 2 skids, and has indicated its claim for breach of contract and costs of repairs to the completed skids as £1,460,094 (i.e. approximately \$2,941,213).

Both parties have indicated their intentions to go for arbitration, but neither party has initiated arbitration under the International Chamber of Commerce. Dyna-Mac Engineering Services Pte Ltd is examining its claim in detail by consulting an international project management consultancy firm to obtain a technical opinion so it may proceed with its claim against WLGE.

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

- (c) In FY2007, an accident resulting in the death of a worker occurred on the Group premises. The Ministry of Manpower has carried out investigations to determine the cause of the accident. On 26 November 2010, Dyna-Mac Engineering Services Pte Ltd received a summons requiring the company to appear on 14 December 2010 before the Subordinate Court to answer to a charge for contravening Regulation 20(1) of the Factories (Operations of Cranes) Regulations for failing to appoint a lifting supervisor before any lifting operation involving the use of crane, and before the lifting operation of metal web frames involving a gantry crane in the Group fabrication yard. The summons also stated in the event of a conviction, Dyna-Mac Engineering Services Pte Ltd shall be liable to a fine not exceeding \$20,000. On 14 December 2010, the hearing of the case was postponed to 25 January 2011 and subsequently to 22 February 2011. As at the date of this report, the charges are still pending.

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29 Related Party Transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Revenue, purchases and other expenses

	2008 \$'000	2009 \$'000	2010 \$'000
<u>Transactions with Speedgrow International Pte. Ltd. (“Speedgrow”)</u>			
Supply of stationery, office appliances and consumables by Speedgrow	2	2	-
Sub-contracting services for fabrication of structural steel by Speedgrow	-	25	125
Supply of manpower service by Speedgrow	-	-	10
Supply of machine and equipment by Speedgrow	-	546	1,295
Worker accommodation and utilities charged to Speedgrow	-	-	1
<u>Transactions with L & W United Engineering Pte. Ltd. (“L & W”)</u>			
Subcontracting services for steel and piping fabrication by L & W	5,532	565	1,950
Rental of office containers and equipment to L & W	3	1	5
Supply of manpower services by L & W	90	42	1,326
Worker accommodation and utilities charged to L & W	1,386	242	101
<u>Transactions with Recruit, Place & Train Pte. Ltd. (“Recruit”)</u>			
Supply of human resource recruitment services by Recruit	10	-	-

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29 Related Party Transactions (continued)

(a) Revenue, purchases and other expenses (continued)

	2008 \$'000	2009 \$'000	2010 \$'000
<u>Transactions with Jobel Holdings Pte. Ltd.</u>			
Rental of luxury yachts	-	-	21
<hr/>			
<u>Transactions with Jobel Lifestyle Pte. Ltd.</u>			
Rental of luxury yachts	-	-	56
<hr/>			

Note:

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

Outstanding balances as at the balance sheet date, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 14 and 21 respectively.

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29 Related Party Transactions (continued)

(b) Key management personnel compensation

Key management personnel compensation is analysed as follow:

	2008	2009	2010
	\$'000	\$'000	\$'000
Directors			
Salaries, wages and bonuses	591	612	1,197
Employer’s contribution to defined contribution plans including Central Provident Fund (“CPF”)	20	18	17
	611	630	1,214
Senior Management			
Salaries, wages and bonuses	1,271	832	1,502
Employer’s contribution to defined contribution plans including Central Provident Fund (“CPF”)	32	31	30
	1,303	863	1,532
	1,914	1,493	2,746

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30 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 comprises 2 independent directors and 4 non-independent directors. The Board of Directors considers the business from both a geographic and business segment perspective. Management manages and monitors the business in the two primary business segments: Module business and Ad hoc project.

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

For the financial year ended 31 May 2008

	Module Business \$'000	Ad Hoc Project (Hull of FPU) \$'000	Ad Hoc Project (Other Services) \$'000	Total \$'000
Sales				
Total segment sales - sales to external parties	108,075	88,081	14,753	210,909
Gross profit	25,248	10,511	5,531	41,290
Other income				2,583
Administrative expenses				(16,891)
Finance expense				(564)
Profit before income tax				26,418
Income tax expense				(4,739)
Net profit				21,679
Net profit includes:				
Depreciation	2,790	2,274	381	5,445
Total assets	49,732	33,467	11,114	94,313
Total assets includes:				
Additions to property, plant and equipment	11,596	9,451	1,583	22,630
Total liabilities	33,625	23,136	4,247	61,008

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30 Segment Information (continued)

For the financial year ended 31 May 2009

	Module Business S\$'000	Ad Hoc Project (Hull of FPU) S\$'000	Ad Hoc Project (Other Services) \$'000	Total S\$'000
Sales				
Total segment sales - sales to external parties	107,655	3,793	9,409	120,857
Gross profit	22,663	2,433	2,860	27,956
Other income				1,948
Administrative expenses				(18,448)
Finance expense				(569)
Profit before income tax				10,887
Income tax expense				(2,806)
Net profit				8,081
Net profit includes:				
Depreciation	4,156	146	363	4,665
Total assets	79,364	3,740	18,646	101,750
Total assets includes:				
Additions to property, plant and equipment	16,364	577	1,430	18,371
Total liabilities	70,739	2,119	4,828	77,686

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30 Segment Information (continued)

For the financial year ended 31 May 2010

	Module Business \$'000	Ad Hoc Project (Hull of FPU) \$'000	Ad Hoc Project (Other Services) \$'000	Total \$'000
Sales				
Total segment sales - sales to external parties	214,061	-	4,480	218,541
Gross profit	48,221	-	2,562	50,783
Other income				2,460
Administrative expenses				(20,323)
Finance expense				(766)
Share of loss of an associated company				(46)
Profit before income tax				32,108
Income tax expense				(6,657)
Net profit				25,451
Net profit includes:				
Depreciation	5,725	-	119	5,844
Total assets	111,114	-	7,269	118,383
Total assets includes:				
Additions to property, plant and equipment	20,861	-	436	21,297
Total liabilities	80,303	-	1,589	81,892

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.

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30 Segment Information (continued)

The Board of Directors assesses the performance of the operating segments 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 expense. This is reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

Reportable segments’ assets are reconciled to total assets as follows:

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, intangible assets, inventories and receivables attributable to each segment.

All assets are allocated to reportable segments other than relate to investment properties, investment in club memberships, investment in an associated company, cash and cash equivalents, other receivables and other current assets.

	2008	2009	2010
	S\$’000	S\$’000	S\$’000
Segment assets for reportable segments	94,313	101,750	118,383
Unallocated			
– Cash and cash equivalents	13,012	17,790	33,246
– Other receivables	280	954	876
– Other current assets	684	1,084	2,151
– Club memberships	88	88	77
– Investment in an associated company	-	-	81
– Investment properties	9,000	9,713	9,916
	<u>117,377</u>	<u>131,379</u>	<u>164,730</u>

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30 Segment Information (continued)

Reportable segments’ liabilities are reconciled to total liabilities as follows:

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 trade and other payables, borrowings, current income tax liabilities and deferred income tax liabilities.

	2008	2009	2010
	S\$’000	S\$’000	S\$’000
Segment liabilities for reportable segments	61,008	77,686	81,892
Unallocated			
– Other payables	7,274	3,585	20,804
– Borrowings	16,351	15,812	21,268
– Current income tax liabilities	5,806	3,436	5,034
– Deferred income tax liabilities	2,106	4,340	5,741
	<u>92,545</u>	<u>104,859</u>	<u>134,739</u>

The Group’s sales, based on the customers’ location, are mainly in countries such as Australia, India, Japan, Monaco, United States of America, Netherlands, Norway, United Kingdom, Singapore and Malaysia.

	2008	2009	2010
	S\$’000	S\$’000	S\$’000
Asia Pacific	9,976	20,462	122,299
Europe	112,852	91,788	91,020
United States of America (“USA”)	88,081	8,607	5,222
	<u>210,909</u>	<u>120,857</u>	<u>218,541</u>

The Group’s property, plant and equipment are located in the following countries:

	2008	2009	2010
	S\$’000	S\$’000	S\$’000
Singapore	36,407	49,896	63,593
Malaysia	99	95	96
	<u>36,506</u>	<u>49,991</u>	<u>63,689</u>

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31 Financial risk management

The Group’s activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group’s financial performance. The Group uses financial instruments such as interest rate swaps and currency forward 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.

The overall business strategies of the Group, its tolerance for risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. In determining its risk management policies, the management ensures that an acceptable balance is made between the cost of risks occurring and the cost of managing the risks.

(a) Market risk

(i) *Currency risk*

Entities in the Group regularly transact in currencies other than the functional currency (“foreign currencies”) such as United States Dollar (“USD”).

Currency risk arises when transactions are denominated in foreign currencies. The Group manages the foreign exchange exposure arising from future commercial transactions and recognised assets and liabilities by a policy of matching as far as possible, receipt and payments in each individual currency.

In addition, the Group selectively hedges the foreign currency exposure for foreign currency denominated contract by entering into foreign currency forward contracts. Currently, the Group does not have any formal policy for hedging against foreign currency exposure. However, the management will continue to monitor the foreign currency exposure and may employ hedging instruments to manage the foreign exchange exposure should the need arise.

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31 Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

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

	<u>SGD</u> <u>\$'000</u>	<u>USD</u> <u>\$'000</u>	<u>Other</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
At 31 May 2008				
Financial assets				
Cash and cash equivalents	6,992	5,745	275	13,012
Trade and other receivables	52,444	3,234	1,945	57,623
Other financial assets	611	-	2	613
	<u>60,047</u>	<u>8,979</u>	<u>2,222</u>	<u>71,248</u>
Financial liabilities				
Borrowings	(16,317)	-	(34)	(16,351)
Other financial liabilities	(66,281)	(1,322)	(679)	(68,282)
	<u>(82,598)</u>	<u>(1,322)</u>	<u>(713)</u>	<u>(84,633)</u>
Net financial assets/(liabilities)	(22,551)	7,657	1,509	(13,385)
Add: Net non-financial assets	38,522	-	(305)	38,217
Currency profile including non-financial assets and liabilities	<u>15,971</u>	<u>7,657</u>	<u>1,204</u>	<u>24,832</u>
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies.	<u>-</u>	<u>7,657</u>	<u>(343)</u>	<u>7,314</u>

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31 Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	<u>SGD</u> <u>\$'000</u>	<u>USD</u> <u>\$'000</u>	<u>Other</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
At 31 May 2009				
Financial assets				
Cash and cash equivalents	17,072	684	34	17,790
Trade and other receivables	42,334	363	1,690	44,387
Other financial assets	678	-	-	678
	<u>60,084</u>	<u>1,047</u>	<u>1,724</u>	<u>62,855</u>
Financial liabilities				
Borrowings	(15,788)	-	(24)	(15,812)
Other financial liabilities	(80,812)	(7)	(452)	(81,271)
	<u>(96,600)</u>	<u>(7)</u>	<u>(476)</u>	<u>(97,083)</u>
Net financial assets/(liabilities)	(36,516)	1,040	1,248	(34,228)
Add: Net non-financial assets	60,731	-	17	60,748
Currency profile including non-financial assets and liabilities	<u>24,215</u>	<u>1,040</u>	<u>1,265</u>	<u>26,520</u>
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies.	<u>-</u>	<u>1,040</u>	<u>(21)</u>	<u>1,019</u>

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31 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	<u>SGD</u> <u>\$'000</u>	<u>USD</u> <u>\$'000</u>	<u>Other</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
At 31 May 2010				
Financial assets				
Cash and cash equivalents	30,214	2,017	1,015	33,246
Trade and other receivables	51,993	156	733	52,882
Other financial assets	515	-	-	515
	<u>82,722</u>	<u>2,173</u>	<u>1,748</u>	<u>86,643</u>
Financial liabilities				
Borrowings	(21,251)	-	(17)	(21,268)
Other financial liabilities	(101,778)	(254)	(664)	(102,696)
	<u>(123,029)</u>	<u>(254)</u>	<u>(681)</u>	<u>(123,964)</u>
Net financial assets/(liabilities)	(40,307)	1,919	1,067	(37,321)
Add: Net non-financial assets	67,297	-	15	67,312
Currency profile including non-financial assets and liabilities	<u>26,990</u>	<u>1,919</u>	<u>1,082</u>	<u>29,991</u>
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities’ functional currencies.	<u>-</u>	<u>1,919</u>	<u>(94)</u>	<u>1,825</u>

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31 Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

If the USD change against the SGD by 5% for financial years ended 31 May 2008, 2009 and 2010 with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to the net profit will be as follows:

	2008	2009	2010
	\$'000	\$'000	\$'000
USD against SGD			
- strengthened	383	52	96
- weakened	(383)	(52)	(96)
	(383)	(52)	(96)

(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 value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings at fixed interest rates. The Group manages its interest rate risk by keeping bank borrowings to the minimum required to sustain the operations of the Group.

The Group's policy is to maintain 30% – 40% of its borrowings in fixed rate instruments. The Group's exposure to cash flow interest rate risks arises mainly from non-current variable-rate borrowings. The Group manages these cash flow interest rate risks by using floating-to-fixed interest rate swaps.

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated in SGD. If the SGD interest rate increase/decrease by 0.5% (2009: 0.5%) with all other variables including tax rate being held constant, the impact to the net profit as a result of higher/lower interest expense on these borrowings is assessed as being not material.

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31 Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that debtors will default on its contractual obligations. A substantial portion of the Group’s revenue is on credit term or stage of completion. These credit terms are normally contractual. The Group adopts stringent procedures on extending credit terms to customers and the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry’s practices as reference. This includes assessment and valuation of customers’ credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered.

Concentration of credit risk with respect to the accounts receivable is limited since the Group trades only with recognised and creditworthy third parties, who are mostly internationally dispersed. The Group also has policies in place to ensure that services are provided to customers with appropriate guaranteed letters of credit from registered banks of the customers’ home countries.

The Group has concentration of credit risk with major customers. The balances owed by 3 major customers, who on aggregate accounted for approximately 64%, 27% and 68% of the Group’s total trade receivables as at 31 May 2008, 2009 and 2010. Those major customers include: Single Buoy Moorings, Inc., Modec Offshore Production Systems (Singapore) Pte Ltd and VWS Westgarth Ltd.

The management monitors these trade receivables closely and consider the risk of default by these customers to be minimal as the debts are fairly current.

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.

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31 Financial risk management (continued)

(b) Credit risk (continued)

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

	2008	2009	2010
	\$'000	\$'000	\$'000
<u>By geographical areas</u>			
Asia Pacific	8,995	15,398	19,497
Europe	18,118	8,287	3,813
USA	5,922	3,990	1,595
	33,035	27,675	24,905
<u>By types of customers</u>			
Related parties	-	717	1,009
Non-related parties			
- Foreign	26,173	20,522	18,942
- Local	6,862	6,436	4,954
	33,035	27,675	24,905

(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 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.

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31 Financial risk management (continued)

(b) Credit risk (continued)

(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:

	2008	2009	2010
	\$'000	\$'000	\$'000
Past due 0 to 3 months	9,887	5,515	8,565
Past due 3 to 6 months	1,723	175	862
Past due over 6 months	4,194	5,291	3,762
	<u>15,804</u>	<u>10,981</u>	<u>13,189</u>

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

	2008	2009	2010
	\$'000	\$'000	\$'000
Gross amount	350	630	1,647
Less: Allowance for impairment	(350)	(630)	(1,647)
	<u>-</u>	<u>-</u>	<u>-</u>
Beginning of financial year	31	350	630
Allowance made	319	301	1,512
Allowance utilised	-	(21)	(495)
End of financial year	<u>350</u>	<u>630</u>	<u>1,647</u>

The impaired trade receivables arise mainly from construction revenue from customers which are under dispute and/or no longer contactable.

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31 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management requires the Group to maintain sufficient cash, internally generated cashflows, and the availability of funding resources through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

The Group manages its working capital requirements with the view to minimise cost and maintain a healthy level of liquidity appropriate to the operating environment and expected cash flow of the Group. Working capital requirements are maintain within the credit facilities established and are adequate and available to the Group to meet its obligations.

The table below analyses the maturity profile of the Group’s financial liabilities based on contractual undiscounted cash flows.

	Less than one year \$’000	Between 1 and 5 years \$’000	Later than 5 years \$’000
<u>31 May 2008</u>			
Trade and other payables	68,282	-	-
Borrowings	9,918	4,407	2,063
	78,200	4,407	2,063
<u>31 May 2009</u>			
Trade and other payables	81,271	-	-
Borrowings	10,187	4,063	1,600
	91,458	4,063	1,600
<u>31 May 2010</u>			
Trade and other payables	102,696	-	-
Borrowings	4,632	10,509	6,155
	107,328	10,509	6,155

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31 Financial risk management (continued)

(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.

The Group is also required by bank to maintain a consolidated gearing ratio of not exceeding 1.5 times, debt/EBITDA not more than 3.0 times, and EBITA/interest expense not more than 2.0 times.

Management monitors capital based on gearing ratio. The Group strategies which remain unchanged during the financial years ended 31 May 2008, 2009 and 2010 are to maintain a gearing ratio not exceeding 1.5 times.

The gearing ratio is calculated as total borrowings plus contingent liabilities divided by net worth. Net worth is defined as paid up capital plus retained profits and excluding asset revaluation reserves, if any and, other intangible assets.

	2008	2009	2010
	S\$’000	S\$’000	S\$’000
Total borrowings	16,351	15,812	21,268
Total net worth	24,832	26,520	29,991
Gearing ratio	0.7	0.6	0.7

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 May 2008, 2009 and 2010.

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32 Event occurring after balance sheet date

- (a) Proposed investment by Keppel Shipyard Limited (“KSL”)

KSL has, through the Commitment Letters (dated on 22 June 2010 and amended by agreement dated on 14 July 2010) committed to the Company to subscribe for and/or purchase, by itself or by its nominee (which shall be a wholly-owned subsidiary of Keppel Offshore & Marine Ltd) such number of Shares from the Placement Shares representing between 20% and 29% of the Company’s post-Invitation share capital on the terms set out in the Commitment Letters.

- (b) Collaboration with KSL

The Company and KSL had, on 15 July 2010, entered into a collaboration agreement (the “**Collaboration Agreement**”) to set out the terms and conditions of the collaboration between the Group and KSL. Under the Collaboration Agreement, KSL and the Company have agreed to collaborate in the following manner:

- (i) KSL and each member of the Group will use reasonable commercial efforts to support, enhance and expand each other’s core business in the marine and offshore industry. To this end, it is the intention of KSL and the Group not to compete but to collaborate with each other on their respective core business in and outside Singapore. The core business of the Group being the Module Business, and the core business of KSL being the repair, conversion and upgrading of a diverse range of vessels (including but not limited to FPSOs, FSOs, oil and gas carriers, containership, rigs and other offshore vessels);
- (ii) where feasible, subject to the relevant company’s internal approvals and applicable rules in the Listing Manual, KSL and any member of the Group may jointly bid for FPSO and FSO projects where the Group will carry out the Module Business, while KSL will carry out the non-Module Business aspects of these projects; and
- (iii) KSL and the Group shall collaborate in the Module Business outside Singapore mainly through joint ventures (subject to feasibility studies, appropriate due-diligence, respective internal approvals and applicable rules in the Listing Manual), starting with Brazil and China.

The obligations to collaborate took effect from 22 June 2010.

Upon completion of the proposed investment by KSL (or its nominee), if KSL’s (or its nominee’s) shareholding interest in the Company falls below 20%, or if any time KSL (or its nominee) no longer is a subsidiary of Keppel Corporation Limited, then the obligations to collaborate shall cease to apply.

Upon listing of the Company on the SGX-ST, all collaborations between the Group and KSL shall be subject to the applicable rules in the Listing Manual.

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33 New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 June 2010 or later periods and which the Group has not early adopted. The Group’s assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

- (a) Amendments to FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for annual periods beginning on or after 1 July 2009)

This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Group will apply this amendment from 1 June 2010, but it is not expected to have a material impact on the financial statements.

- (b) INT FRS 117 *Distributions of Non-Cash Assets to Owners* (effective for annual periods beginning on or after 1 July 2009)

INT FRS 117 clarifies how the Group should measure distributions of assets, other than cash, to its owners. INT FRS 117 specifies that such a distribution should only be recognised when appropriately authorised, and that the dividend should be measured at the fair value of the assets to be distributed. The difference between the fair value and the carrying amount of the assets distributed should be recognised in profit or loss. INT FRS 117 applies to pro rata distributions of non-cash assets except for distributions to a party or parties under common control.

The Group will apply INT FRS 117 from 1 June 2010, but it is not expected to have a material impact on the financial statements.

- (c) INT FRS 118 *Transfer of Assets to Customers* (effective for annual periods beginning on or after 1 July 2009)

INT FRS 118 prescribes the accounting requirements for arrangements where the Group receives an item of property, plant and equipment from a customer which must be used to provide an ongoing service to the customer. It also applies to cash received from a customer that must be used to acquire or construct such property, plant and equipment.

The Group will apply INT FRS 118 from 1 June 2010, but it is not expected to have a material impact on the financial statements.

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33 New or revised accounting standards and interpretations (continued)

- (d) FRS 27 (revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).

FRS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply FRS 27 (revised) prospectively to transactions with minority interests from 1 June 2010.

- (e) FRS 103 (revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)

FRS 103 (revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply FRS 103 (revised) prospectively to all business combinations from 1 June 2010.

- (f) FRS 32 (revised) Financial Instrument: Disclosure and Presentation (effective for annual periods beginning on or after 1 February 2010)

FRS 32 (revised) prescribes the classification of rights issues.

34 Authorisation of Consolidated Financial Statements for Issue

The consolidated financial statements of Dyna-Mac Holdings Ltd. and its subsidiaries for the financial years ended 31 May 2008, 2009 and 2010 were authorised for issue in accordance with a resolution of the Directors on 21 February 2011.

**APPENDIX B – INDEPENDENT AUDITORS’ REVIEW REPORT ON THE
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SIX-MONTH PERIOD ENDED 30 NOVEMBER 2010**

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (i) the unaudited interim consolidated financial statements set out on pages B-3 to B-76 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 November 2010, and of the results, changes in equity and cash flows of the Group for the financial period then ended, and
- (ii) 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

Director
Lim Tze Jong

Director
Varghese John

**APPENDIX B – INDEPENDENT AUDITORS’ REVIEW REPORT ON THE
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INDEPENDENT AUDITORS’ REVIEW REPORT

21 February 2011

The Board of Directors
Dyna-Mac Holdings Ltd.
59 Gul Road
Singapore 629354

Dear Sirs

We have reviewed the accompanying unaudited interim consolidated financial statements of Dyna-Mac Holdings Ltd. (the “Company”) and its subsidiaries (collectively the “Group”), as set out on pages B-3 to B-76, which comprise the consolidated balance sheet as at 30 November 2010, and the consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statement of the Group for the six-month period ended 30 November 2010 and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these unaudited financial information in accordance with Singapore Financial Reporting Standards. Our responsibility is to express a conclusion on these unaudited consolidated financial statements based on our review.

We conducted our review in accordance with Singapore Standards on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards in Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 November 2010, and of the Group’s consolidated results of operations, consolidated changes in equity and cash flows for the six-month period ended 30 November 2010 in accordance with the Singapore Financial Reporting Standards.

The comparative figures for the corresponding six-month period ended 30 November 2009 were extracted from the unaudited management financial information and we have not carried out a review of those financial statements. The unaudited consolidated financial information for the corresponding six-month period ended 30 November 2009 is the responsibility of the management.

Report on Other Legal and Regulatory Requirements

This report has been prepared for inclusion in the Prospectus in connection with the initial public offering (“IPO”) of the ordinary shares of the Company on the Singapore Exchange Securities Trading Limited.

NEXIA TS PUBLIC ACCOUNTING CORPORATION
Public Accountants and Certified Public Accountants
Singapore

Director-in-charge: Kristin YS Kim
(Appointed since financial year ended 31 May 2008)

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Dyna-Mac Holdings Ltd. and Its Subsidiaries
Unaudited Consolidated Statement of Comprehensive Income
For the six-month period ended 30 November 2010

	Note	Six month period ended 30 November	
		2009 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Revenue	6	124,585	83,686
Cost of sales		(101,385)	(62,954)
Gross profit		23,200	20,732
Other income	7	1,252	441
Administrative expenses		(8,100)	(8,621)
Finance expenses	10	(326)	(407)
Share of loss of an associated company	18	(25)	(28)
Profit before income tax		16,001	12,117
Income tax expense	11(a)	(2,903)	(2,056)
Net profit		13,098	10,061
Other comprehensive income, net of tax			
Currency translation differences arising from consolidation		(18)	(36)
Total comprehensive income		13,080	10,025
Profit attributable to:			
Equity holders of the Company		13,098	10,061
Non-controlling interests		-*	-*
		13,098	10,061
Total comprehensive income attributable to:			
Equity holders of the Company		13,080	10,025
Non-controlling interests		-*	-*
		13,080	10,025
Earnings per share attributable to equity holders of the Company (cents)			
- Basic and diluted	12	1.83	1.41

* Amount is less than \$1,000

*The annexed notes form an integral part of and
should be read in conjunction with this consolidated financial statements.*

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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Unaudited Consolidated Balance Sheets
As at 30 November 2010**

	Note	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
ASSETS			
Current Assets			
Cash and cash equivalents	13	33,246	33,382
Trade and other receivables	14	52,882	46,792
Construction contract work-in-progress	15	_*	-
Inventories	16	2,688	2,131
Other current assets	17	2,151	2,422
		90,967	84,727
Non-Current Assets			
Investment in an associated company	18	81	64
Investment properties	19	9,916	10,270
Property, plant and equipment	20	63,689	60,829
Club memberships		77	77
		73,763	71,240
Total Assets		164,730	155,967
LIABILITIES			
Current Liabilities			
Trade and other payables	21	102,696	85,776
Current income tax liabilities	11(b)	5,034	5,308
Borrowings	22	4,632	4,640
		112,362	95,724
Non-Current Liabilities			
Borrowings	22	16,636	14,486
Deferred income tax liabilities	24	5,741	5,741
		22,377	20,227
Total Liabilities		134,739	115,951
Net Assets		29,991	40,016
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	26,476	26,476
Retained profits		3,515	13,576
Foreign currency translation reserve		(42)	(78)
		29,949	39,974
Non-controlling interests		42	42
		29,991	40,016

* Amount is less than \$1,000

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should be read in conjunction with this consolidated financial statements.*

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Dyna-Mac Holdings Ltd. and Its Subsidiaries
Unaudited Consolidated Statement of Changes in Equity
For the six-month period ended 30 November 2010

	Attributable to equity holders of the Company					Non- controlling Interests \$'000	Total Equity \$'000
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Retained Profits \$'000	Total \$'000	Total \$'000		
(Unaudited)							
Balance at 1 June 2009	26,476	(62)	63	26,477	43	26,520	
Total comprehensive income for the financial period	-	(18)	13,098	13,080	-*	13,080	
Interim dividends paid	-	-	(1,000)	(1,000)	-	(1,000)	
Balance at 30 November 2009	26,476	(80)	12,161	38,557	43	38,600	
(Unaudited)							
Balance at 1 June 2010	26,476	(42)	3,515	29,949	42	29,991	
Total comprehensive income for the financial period	-	(36)	10,061	10,025	-*	10,025	
Balance at 30 November 2010	26,476	(78)	13,576	39,974	42	40,016	

* Amount is less than \$1,000

*The annexed notes form an integral part of and
should be read in conjunction with this consolidated financial statements.*

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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Unaudited Consolidated Cash Flow Statements
For the six-month period ended 30 November 2010**

	Note	Six-month period ended 30 November	
		2009 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Cash Flow From Operating Activities			
Net profit		13,098	10,061
Adjustments for:			
- Income tax expense	11(a)	2,903	2,056
- Depreciation	20	2,766	3,302
- Loss/(gain) on disposal of property, plant and equipment		38	(67)
- Write-off of property, plant and equipment		1,291	342
- Interest income		(13)	(10)
- Interest expense		326	407
- Share of loss of an associated company	18	25	28
- Unrealised translation gains		(10)	(6)
		20,424	16,113
Changes in working capital			
- Trade and other receivables		(15,170)	6,090
- Construction contract work-in-progress		1,110	-*
- Inventories		4,411	557
- Other current assets		63	(271)
- Trade and other payables		13,324	(8,153)
		24,162	14,336
Cash generated from operations		24,162	14,336
Interest received		13	10
Income taxes paid		(2,450)	(1,780)
		21,725	12,566
Net cash generated from operating activities			
Cash Flow From Investing Activities			
Additions to property, plant and equipment		(5,351)	(772)
Improvements to investment properties	19	(26)	(354)
Proceeds from disposal of property, plant and equipment		223	398
Investment in an associated company		(127)	(13)
		(5,281)	(741)
Net cash used in investing activities			

*The annexed notes form an integral part of and
should be read in conjunction with this consolidated financial statements.*

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**Dyna-Mac Holdings Ltd. and Its Subsidiaries
Consolidated Cash Flow Statements
For the six-month period ended 30 November 2010**

	Note	Six-month period ended 30 November	
		2009 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Cash Flow From Financing Activities			
Interest expense paid		(326)	(407)
Dividend paid to equity holders of the Company		(581)	(8,767)
Repayment of finance lease liabilities		(156)	(330)
Repayment of bank borrowings		(3,440)	(2,159)
Proceeds from bank borrowings		5,000	-
Increase in bank deposits		(5,013)	(10)
Net cash used in financing activities		(4,516)	(11,673)
Net increase in cash and cash equivalents		11,928	152
Cash and cash equivalents at beginning of financial period		8,172	13,304
Effect of currency translation on cash and cash equivalents		-*	(26)
Cash and cash equivalents at end of financial period	13	20,100	13,430

* Amount is less than \$1,000

*The annexed notes form an integral part of and
should be read in conjunction with this consolidated financial statements*

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Dyna-Mac Holdings Ltd. and Its Subsidiaries
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For the six-month period ended 30 November 2010

1 Introduction

The unaudited consolidated financial statements of Dyna-Mac Holdings Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) for the six-month period ended 30 November 2010 have been prepared for inclusion in the Prospectus of Dyna-Mac Holdings Ltd. in connection with initial public offering (“IPO”) by the Company of 186,000,000 new ordinary shares.

2 Corporate Information

The Company was incorporated in the Republic of Singapore on 19 June 2003 as a private limited company with issued and paid up capital of 2 ordinary shares at \$2. The Company was converted into a public limited company and the name of the Company was changed to “Dyna-Mac Holdings Ltd.” in connection therewith on 10 February 2011.

The principal activity of the Company is that of investment holding. The registered office address is at 59 Gul Road, Singapore 629354 and the principal place of business is at 45 Gul Road, Singapore 629350.

The principal activities of the subsidiaries are disclosed in Note 3.1.

All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

3 Restructuring Exercise and Basis of Preparation

3.1 *Restructuring Exercise*

The Restructuring Exercise, comprising the following steps, was undertaken by the Group to streamline the Group structure and to prepare for the listing of the Company:

(i) *Incorporation of the Company*

The Company was incorporated in the Republic of Singapore on 19 June 2003 as an exempt private company limited by shares to act as the holding company of the Group. On incorporation, the Company’s issued and paid-up share capital was \$2 comprising two ordinary shares, with one ordinary share held by each of Mr Lim Tze Jong and Madam Phee Eng Kit.

On 1 March 2009, Mr Lim Tze Jong acquired the one ordinary share held by Madam Phee Eng Kit for a consideration of \$1.

(ii) *Acquisition of Dyna-Mac Engineering Services Sdn. Bhd.*

On 2 August 2004, Dyna-Mac Engineering Services Pte Ltd acquired the entire issued and paid-up share capital of Dyna-Mac Engineering Services Sdn. Bhd. from Mr Lim Tze Jong and Madam Phee Eng Kit (each holding 99,999 and one ordinary shares, respectively) for an aggregate consideration of RM100,000. The consideration was based on the paid-up capital of Dyna-Mac Engineering Services Sdn. Bhd..

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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

(iii) Acquisition of Singapore Subsidiaries

On 31 March 2009, pursuant to a sale and purchase agreement dated 1 March 2009, as supplemented by a restructuring and supplemental agreement dated 25 November 2010 (collectively, the “Restructuring Agreement”), the Company completed the following acquisitions:

- (a) the entire shareholding of Dyna-Mac Engineering Services Pte Ltd comprising 1,000,000 ordinary shares held by Madam Phee Eng Kit, Mr Lim Tze Jong, Mr Teo Boon Hwee and Mr Lim Tjew Yok (each holding 134,000, 766,000, 50,000 and 50,000 ordinary shares, respectively) for an aggregate consideration of \$12,003,330. The consideration was based on the audited net assets of Dyna-Mac Engineering Services Pte Ltd as at 31 May 2008;
- (b) the entire shareholding of Dyna-Mac Corrosion Technology Pte. Ltd. comprising one ordinary share held by Mr Lim Tze Jong for a nominal consideration of \$1 based on the paid-up capital of Dyna-Mac Corrosion Technology Pte. Ltd.;
- (c) the entire shareholding of Dyna-Mac Offshore Services Pte. Ltd. comprising four ordinary shares held by Madam Phee Eng Kit, Mr Lim Tze Jong, Mr Teo Boon Hwee and Mr Lim Tjew Yok (each holding one ordinary share) for an aggregate consideration of \$266,231. The consideration was arrived at based on the audited net assets of Dyna-Mac Offshore Services Pte. Ltd. as at 31 May 2008;
- (d) the entire shareholding of Dyna-Mac Fabricator Pte. Ltd. comprising four ordinary shares held equally by Madam Phee Eng Kit, Mr Lim Tze Jong, Mr Teo Boon Hwee and Mr Lim Tjew Yok for a total nominal consideration of \$4 based on the paid-up capital of Dyna-Mac Fabricator Pte. Ltd.; and
- (e) the entire shareholding of Dyna-Mac Marine and Heavy Engineering Pte. Ltd. comprising one ordinary share held by Mr Lim Tze Jong for a consideration of \$11,706,287. The consideration was based on the audited net assets of Dyna-Mac Marine and Heavy Engineering Pte. Ltd. as at 31 May 2008.

Upon completion of the acquisitions, each of Dyna-Mac Engineering Services Pte Ltd (along with its wholly owned subsidiary Dyna-Mac Engineering Services Sdn. Bhd.), Dyna-Mac Corrosion Technology Pte. Ltd., Dyna-Mac Offshore Services Pte. Ltd., Dyna-Mac Fabricator Pte. Ltd. and Dyna-Mac Marine and Heavy Engineering Pte. Ltd. became wholly-owned subsidiaries of the Company.

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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

(iv) Acquisition DMP Engineering Pte. Ltd.

On 31 March 2009, the entire shareholding of DMP Engineering Pte. Ltd. comprising two ordinary shares held by Ms Tiong Sai Lan was transferred to the Company for a nominal consideration of \$2.00 based on the paid-up capital of DMP Engineering Pte. Ltd.. Upon completion, DMP Engineering Pte. Ltd. became a wholly-owned subsidiary of the Company.

(v) Increase of issued and paid-up share capital of the Company

On 31 May 2009, the Company allotted and issued 2,499,998 ordinary shares to Mr Lim Tze Jong by way of bonus issue. The consideration for the issue amounting to \$2,499,998 was capitalised from the Company’s retained profits.

(vi) Subscription of new ordinary shares in Dyna-Mac Offshore Services Pte. Ltd., Dyna-Mac Marine and Heavy Engineering Pte. Ltd. and DMP Engineering Pte. Ltd.

On 31 March 2009, the Company subscribed for 499,996 and 999,999 new ordinary shares in Dyna-Mac Offshore Services Pte. Ltd. and Dyna-Mac Marine and Heavy Engineering Pte. Ltd. respectively at \$1 per share.

Upon completion of the subscription, Dyna-Mac Offshore Services Pte. Ltd.’s issued and paid-up share capital increased to \$500,000 comprising 500,000 ordinary shares, whereas, the issued and paid-up share capital of Dyna-Mac Marine and Heavy Engineering Pte. Ltd. was increased to \$1,000,000 comprising 1,000,000 ordinary shares.

On the same date, the Company and Paliy Marine Engineering Pte. Ltd., each subscribed for 54,998 and 45,000 new ordinary shares in the capital of DMP Engineering Pte. Ltd., respectively. Upon completion of the subscription, DMP Engineering Pte. Ltd. became a 55% held subsidiary of the Company. On 10 February 2011, the Company applied for DMP Engineering Pte. Ltd. to be struck off from Singapore Register of Companies as DMP Engineering Pte. Ltd. has been dormant since incorporation.

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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

(vii) Incorporation of Dyna-mac Engineering (HK) Pte Limited

On 19 February 2010, the Company together with Paliy Marine Engineering Pte. Ltd., incorporated Dyna-mac Engineering (HK) Pte Limited in Hong Kong. As at the date of this report, no share in Dyna-mac Engineering (HK) Pte Limited have been issued and allotted to the Company and Paliy Marine Engineering Pte. Ltd., and Dyna-mac Engineering (HK) Pte Limited remains as a dormant company. As at the date of this report, Paliy Marine Engineering Pte. Ltd. has indicated that it does not intend to subscribe for the shares in Dyna-mac Engineering (HK) Pte Limited due to a change in its business plans. As such, the Company will be the sole shareholder of Dyna-mac Engineering (HK) Pte Limited upon the issue and allotment of shares to the Company.

(viii) Further increase in the share capital of the Company

On 18 June 2010, pursuant to the Restructuring Agreement, the Company allotted and issued an additional 23,975,853 new ordinary shares to Mr Lim Tze Jong as full consideration for the acquisition of Dyna-Mac Engineering Services Pte Ltd (along with its wholly owned subsidiary Dyna-Mac Engineering Services Sdn. Bhd.), Dyna-Mac Corrosion Technology Pte. Ltd., Dyna-Mac Offshore Services Pte. Ltd., Dyna-Mac Fabricator Pte. Ltd. and Dyna-Mac Marine and Heavy Engineering Pte. Ltd. as described in paragraph (iii) above.

(ix) Incorporation of Dyna-Mac Do Brasil Construções Ltda.

On 26 October 2010, Dyna-Mac Offshore Services Pte. Ltd., together with Dyna-Mac Marine and Heavy Engineering Pte. Ltd., incorporated Dyna-Mac Do Brasil Construções Ltda. in Rio de Janeiro, Brazil to undertake modules business in Brazil. As at the date of this report, the capital stock of Dyna-Mac Do Brasil Construções Ltda. is R\$1,200,000, of which 60% is held by Dyna-Mac Offshore Services Pte. Ltd. and 40% is held by Dyna-Mac Marine and Heavy Engineering Pte. Ltd.. The capital stock of Dyna-Mac Do Brasil Construções Ltda. has not yet been paid up.

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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

Upon completion of the Restructuring Exercise, the Company has the following subsidiaries:

Name of subsidiary	Principal activities	Country and date of incorporation	Issued capital	Equity interest held %
<u>Held by the Company</u>				
Dyna-Mac Engineering Services Pte Ltd	Contractors for project management, engineering, fabrication and installation of land and marine works	Singapore 19 June 1990	\$1,000,000	100
Dyna-Mac Marine and Heavy Engineering Pte. Ltd.	Contractors for project management, engineering, fabrication and installation of marine works	Singapore 12 April 2007	\$1,000,000	100
Dyna-Mac Corrosion Technology Pte. Ltd. (formerly known as “Prominent Corrosion Technology Pte. Ltd.”) ⁽¹⁾	Contractors for sandblasting and painting	Singapore 12 April 2007	\$1	100

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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

Name of subsidiary	Principal activities	Country and date of incorporation	Issued capital	Equity interest held %
<i>Held by the Company</i>				
Dyna-Mac Offshore Services Pte. Ltd. (formerly known as “Dyna-Mac Marine & Offshore Services Pte. Ltd.”)	Contractors for repair and marine works	Singapore 18 June 2005	\$500,000	100
Dyna-Mac Fabricator Pte. Ltd. ⁽¹⁾	Contractors for construction works	Singapore 18 June 2005	\$4	100
DMP Engineering Pte. Ltd. ⁽¹⁾	Contractors for project management, engineering and construction of barges	Singapore 25 July 2008	\$100,000	55
Dyna-mac Engineering (HK) Pte Limited	Provides project management services for projects in the PRC	Hong Kong 19 February 2010	HK\$1,000,000 ⁽²⁾	100

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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

Name of subsidiary	Principal activities	Country and date of incorporation	Issued capital	Equity interest held %
<u>Held by Dyna-Mac Engineering Services Pte Ltd</u>				
Dyna-Mac Engineering Services Sdn. Bhd.	Contractors for construction works	Malaysia 2 November 1993	RM300,000	100
<u>Held by Dyna-Mac Offshore Services Pte. Ltd. and Dyna-Mac Marine and Heavy Engineering Pte. Ltd.</u>				
Dyna-Mac Do Brasil Construções Ltda.	(i) the fabrication, sale, installation and repair of modules for oil rigs 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 26 October 2010	R\$1,200,000 ⁽³⁾	100

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3 Restructuring Exercise and Basis of Preparation (continued)

3.1 Restructuring Exercise (continued)

Name of associated company	Principal activities	Country and date of incorporation	Issued capital	Equity interest held %
<u>Held by Dyna-Mac Engineering Services Sdn. Bhd.</u>				
Eminent Offshore & Heavy Engineering Sdn Bhd	Contractors for project management, engineering and construction of barges	Malaysia 3 June 2009	RM1,000,000	33

Note:

1. Currently in the process of being struck off from the Singapore Register of Companies.
2. Authorised, and not issued share capital of Dyna-mac Engineering (HK) Pte Limited.
3. As at the date of this report, the capital stock of Dyna-Mac Do Brasil Construções Ltda. has yet to be paid up.

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4 Summary of Significant Accounting Policies

4.1 *Statement of Compliance*

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) and the related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

4.2 *Use of estimates and judgements*

The preparation of the consolidated financial statements in accordance with FRS requires the Company’s management to exercise its judgement in the process of the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities and which are not readily apparent from other sources. Actual results may differ from these estimates.

4.3 *Interpretations and amendments to published standards effective in 2010*

On 1 June 2010, 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 accounting policies and had no material effect on the amounts reported for the current or prior financial periods except as disclosed below:

(a) **FRS 103 (revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)**

Please refer to Note 4.4(a)(ii) for the revised accounting policy on business combinations.

As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

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4 Summary of Significant Accounting Policies (continued)

4.3 Interpretations and amendments to published standards effective in 2010 (continued)

(b) FRS 27 (revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

The revisions to FRS 27 principally change the accounting for transactions with non-controlling interests. Please refer to Note 4.4(a)(iii) for the revised accounting policy on changes in ownership interest that results in a lost of control and Note 4.4(b) for that on changes in ownership interests that do not result in lost of control.

As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements. There were no transactions with non-controlling interests in the current financial period. Accordingly, these changes do not have any impact on the financial statements for the current financial period.

(c) Amendment to FRS 7 Cash Flow Statements (effective for annual periods beginning on or after 1 January 2010)

Under the amendment, only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities in the statement of cash flows. Previously, such expenditure could be classified as investing activities in the statement of cash flows. This change has been applied retrospectively. It had no material effect on the amounts presented in the statement of cash flows for the current or prior periods.

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4 Summary of Significant Accounting Policies (continued)

4.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying 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 deconsolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests 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.

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4 Summary of Significant Accounting Policies (continued)

4.4 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

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

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

The excess of 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 fair value of the net identifiable assets acquired is recorded as goodwill.

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4 Summary of Significant Accounting Policies (continued)

4.4 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposal of subsidiaries or businesses

When a change in the Company’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 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.

(b) Transaction with non-controlling interests

Changes in the Company’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 Group. 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.

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4 Summary of Significant Accounting Policies (continued)

4.4 Group accounting (continued)

(c) Associated company

Associated company is entities 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.

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.

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.

Gains or losses arising from partial disposals or dilutions in investment in associated company are recognised in profit or loss.

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

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4 Summary of Significant Accounting Policies (continued)

4.5 Property, Plant and Equipment

(a) Measurement

(i) Freehold land and building

Freehold land and buildings are initially recognised at cost and are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

All other decreases in carrying amounts are charged to the profit or loss.

(ii) Other property, plant and equipment

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

(iii) Components of costs

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation is calculated on a straight-line basis to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold land and building	-	50 years
Office building	-	22 years
Furniture & fittings and office equipment	-	5 years
Computers	-	3 years
Site building and yard improvement	-	5 – 22 years
Site equipment and tools	-	5 years
Motor vehicles	-	5 years

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4 Summary of Significant Accounting Policies (continued)

4.5 Property, Plant and Equipment (continued)

(b) Depreciation (continued)

Site building and yard improvement under construction is stated at cost. Site building and yard improvement under construction is not depreciated as these assets are not available for use.

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 of the residual values and useful lives are included in the profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(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. Other subsequent expenditure is recognised as repair and maintenance expense in the profit or loss during the financial year in which it is 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 the profit or loss.

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4 Summary of Significant Accounting Policies (continued)

4.6 *Investment Properties*

Investment properties are held for the primary purpose of producing rental income and are not held for resale in the ordinary course of business.

Investment properties are initially recognised at cost and subsequently carried at fair value determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in the profit or loss.

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

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

4.7 *Financial assets*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Loan and Receivables

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 maturing 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 cash equivalents” on the balance sheet.

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4 Summary of Significant Accounting Policies (continued)

4.8 Impairment of Non-Financial Assets

Property, plant and equipment 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 flows 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 the 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.

A reversal of impairment loss for an asset is recognised in the profit or loss.

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4 Summary of Significant Accounting Policies (continued)

4.9 Trade and Other Payables

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

4.10 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.

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 the profit or loss account over the period of the borrowings using the effective interest method.

4.11 Revenue recognition

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria for each of the Group’s activities are met as follows:

(a) Contract Revenue

Revenue from fabrication of topside process module for Module Business, Ad Hoc Project (Hull of FPU) and Ad Hoc Project (Other services) is recognised based on percentage of completion method in proportion to the stage of completion, provided that the outcome of such work can be reliably estimated.

Please refer to the paragraph “Construction Contracts” for more details on accounting policy for revenue from construction contracts.

(b) Rental Income

Income from rental of containers is recognised on a straight-line basis over the lease term.

(c) Interest Income

Interest income is recognised using the effective interest method.

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4 Summary of Significant Accounting Policies (continued)

4.12 Currency Transactions

(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 consolidated financial statements of the Group are presented in Singapore Dollar, which is the Group’s functional currency.

(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 prevailing at the dates of transactions. Currency translation differences 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 the profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(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 rate at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates; and
- (iii) All resulting foreign currency translation differences are recognised in the currency translation reserve.

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4 Summary of Significant Accounting Policies (continued)

4.13 *Income Taxes*

Current Taxation

Current income tax for current and prior periods is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred Taxation

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, 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 recognised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is recognised 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.

Current and deferred income taxes are recognised as income or expense in the 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.

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4 Summary of Significant Accounting Policies (continued)

4.14 Construction Contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised as revenue and expense 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 only 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 only included in 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 percentage of completion is assessed by reference to the completion of a physical proportion of contract work. Costs incurred during the financial year in connection with future activity on a contract are excluded from 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 customers, in which case, such costs are recognised as an expense immediately.

At the balance date, the aggregate costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the costs incurred plus 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 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 are included within “trade and other receivables”. Advances received are included within “trade and other payables”.

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4 Summary of Significant Accounting Policies (continued)

4.15 *Employee Benefits*

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due, unless they can be recognised as an asset.

4.16 *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.

Finance leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership 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 at the lower of the fair values of the leased assets and the present values of the minimum lease payments. Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance expense is recognised in the profit or loss on a basis that reflects a constant periodic rate of interest on the remaining balance of the finance lease liability.

Operating leases

Leases of property, plant and equipment 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 the profit or loss on a straight-line basis over the period of the lease.

Contingent rents, if any, are recognised as an expense in the profit or loss in the financial year in which they are incurred.

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4 Summary of Significant Accounting Policies (continued)

4.16 Leases (continued)

(b) When the Group is the lessor:

The Group leases certain property, plant and equipment and investment property under operating leases to non-related parties.

Operating leases

Leases of certain property, plant and equipment and investment property where the Group retains substantially all risks and reward incidental to ownership are classified as operating leases.

Rental income from operating leases (net of any incentives given to lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income.

Contingent rents, if any, are recognised as income in the profit or loss in the financial year in which they are earned.

4.17 Provision

Provision is 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.

4.18 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

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4 Summary of Significant Accounting Policies (continued)

4.19 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.

4.20 Dividends

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

4.21 Borrowing Costs

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

4.22 Segment reporting

A business segment is distinguishable component of the Group engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

4.23 Fair Value Estimation of Financial Assets and Liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

4.24 Derivative Financial Instrument

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 to or do not qualify for hedge accounting are recognised in the profit or loss when the changes arise.

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4 Summary of Significant Accounting Policies (continued)

4.25 Inventories

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 finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowings costs.

4.26 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.

5 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects both current and future periods.

(a) Depreciation of property, plant and equipment

The costs of property, plant and equipment of the Group are depreciated on a straight-line basis over the useful lives of the assets. The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet. Changes in the expected level of usage could impact the economic useful life and the residual value of the asset, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment at the balance sheet date is disclosed in Note 20.

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5 Critical Accounting Estimates, Assumptions and Judgements (continued)

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least annually. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the market, economic or legal environment in which the debtor operates in. Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recognised in the profit or loss. The carrying amount of trade and other receivables at the balance sheet date is disclosed in Note 14.

(c) Construction contracts

The Group recognises contract revenues based on the stage of completion method. 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 the contract cost incurred, the estimated total contract costs, as well as the recoverability of the contracts. In making the judgement, the Group evaluates by relying on past experience. The carrying amount of construction contract work-in-progress at the balance sheet date is disclosed in Note 15.

(d) Income taxes

The Group is subject to income taxes in Singapore. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The carrying amounts of current income tax liabilities and deferred income tax liabilities at the balance sheet date are disclosed in Notes 11(b) and 24 respectively.

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5 Critical Accounting Estimates, Assumptions and Judgements (continued)

(e) Valuation of investment properties

Critical judgements are made by management in respect of the fair values of investment properties. The fair values of investment properties are reviewed regularly by management with reference to external independent property valuations, recent offers and market conditions existing at the balance sheet date, using generally accepted market practices. The critical assumptions underlying management’s estimates of fair values are those relating to the receipt of contractual rents, expected future market rentals, maintenance requirements, discount rates that reflect current market uncertainties and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair values of investment properties may differ.

(f) Contingencies

The Group reviews outstanding legal cases following developments in the legal proceedings at each balance sheet date, in order to assess the need for provisions in its financial statements. Among the factors considered in making decisions on provisions are the nature of the litigation, claim or assessment, the legal processes and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including progress after the date of the financial statements but before those statements are issued), the opinions or views of legal counsel and other advisers, experience of similar cases and any decision of the Group’s management as to how it will respond to the litigation, claim or assessment.

Realisation of any contingent liabilities not currently recognised could have a material effect on the Group’s financial statements.

To the extent that the Group’s assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future financial statements may be materially affected, with an adverse impact upon the Group’s profit from operations, financial position and liquidity.

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6 Revenue

	Six-month period ended 30 November	
	2009 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Module business	121,987	83,665
Ad Hoc projects (Other services)	2,598	21
	124,585	83,686

7 Other Income

	Six-month period ended 30 November	
	2009 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Foreign exchange gain, net	43	-
Gain on disposal of property, plant and equipment	-	67
Government grant – Jobs credit scheme	241	36
Interest income – Bank deposits	13	10
Reversal of allowance for impairment of trade receivables	-	97
Rental income:		
- Rental of warehouse, office & containers	566	80
- Rental of investment properties (Note 19)	199	54
Other	190	97
	1,252	441

The jobs credit scheme is a cash grant introduced in the Singapore Budget 2009 to help business preserve jobs in the economic downturn. The jobs credit will be paid to eligible employers in 2009 and 2010 in four payments and the amount an employer can receive would depend on the fulfillment of the conditions as stated in the scheme.

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8 Expenses by Nature

	Six-month period ended 30 November	
	2009 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Materials	35,749	7,941
Sub-contractor charges ^a	51,074	40,826
Direct overheads ^b	13,226	12,603
Rental of workshop and sites	1,336	1,584
Depreciation of property, plant and equipment	291	363
Entertainment and refreshment	448	317
Legal and professional expenses	133	165
Loss on disposal of property, plant and equipment	38	-
Transportation and traveling expenses	376	448
Repair and maintenance	528	413
Employee compensation (Note 9)	4,778	5,145
Insurance	243	274
Advertisement	224	283
Property tax	94	399
Marketing	-	277
Telephone and telefax	130	100
Donation	158	10
Bank charges	199	90
Other	460	337
Total cost of sales and administrative expenses	109,485	71,575

a Included in the sub-contractor charges for the six-month period ended 30 November 2009 and 2010 is write-off of property, plant and equipment amounting to \$1,291,000 and \$342,000 respectively.

b Included in the direct overheads for the six-month period ended 30 November 2009 and 2010 is depreciation of property, plant and equipment directly used in the project amounting to \$2,475,000 and \$2,939,000 respectively.

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9 Employee Compensation

	Six-month period ended 30 November	
	2009 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Salaries, wages and bonuses	4,349	4,545
Welfare, medical and other benefits	183	320
Employer’s contribution to defined contribution plans including Central Provident Fund (“CPF”)	246	280
	4,778	5,145

10 Finance Expenses

	Six-month period ended 30 November	
	2009 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Interest expense:		
- bank borrowings	302	384
- finance lease liabilities	24	23
	326	407

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11 Income Taxes

(a) Income tax expense

	Six-month period ended 30 November	
	2009	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Tax expense attributable to profit is made up of:		
<i>Profit from current financial year:</i>		
- Current income tax - Singapore	2,903	2,056

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as explained below:

	Six-month period ended 30 November	
	2009	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Profit before income tax	16,001	12,117
Tax calculated at income tax rate of 17% for the six-month period ended 30 November 2009 and 2010	2,720	2,060
Effects of:		
- Expenses not deductible for tax purposes	94	15
- Income not subject to tax	(41)	(14)
- Partial tax exemption	(13)	(13)
- Other	143	8
Tax charge	2,903	2,056

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11 Income Taxes (continued)

(b) Movements in current income tax liabilities

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Beginning of financial year/period	3,436	5,034
Income tax paid	(3,658)	(1,780)
Income tax expense	3,924	2,056
Under provision in prior financial year/period	1,332	-
Currency translation difference	-*	(2)
End of financial year/period	<u>5,034</u>	<u>5,308</u>

* Amount is less than \$1,000

12 Earnings per Share

For illustrative purpose, the calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Company for the six-month period ended 30 November 2009 and 2010 and on 714,285,000 ordinary shares in issue as at the date of this report, representing the pre-invitational share capital.

There were no diluted earnings per share for the six-month period ended 31 November 2009 and 2010 as there were no potential ordinary shares outstanding.

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13 Cash and Cash Equivalents

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Cash at bank and on hand	13,304	13,430
Short-term bank deposits	19,942	19,952
	<hr/> 33,246	<hr/> 33,382

For the purpose of presenting the unaudited consolidated cash flow statement, the unaudited consolidated cash and cash equivalents comprise the following:

	Six-month period ended 30 November	
	2009 \$'000 (Unaudited)	2010 \$'000 (Unaudited)
Cash and cash equivalents	34,731	33,382
Less: Bank deposits pledged	(1,102)	(18,000)
Less: Bank deposit with maturity more than 3 months	(13,529)	(1,952)
Cash and cash equivalents per unaudited consolidated cash flow statement	<hr/> 20,100	<hr/> 13,430

Short-term bank deposits of the Group have been pledged to the banks to secure banking facilities granted to the Group (Note 22).

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14 Trade and Other Receivables

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Trade receivables:		
- Non-related parties	25,543	29,271
- Related parties	1,009	737
	26,552	30,008
Less: Allowance for impairment of receivables – non-related parties [Note 31(b)(ii)]	(1,647)	(1,550)
Trade receivables, net	24,905	28,458
Construction contracts:		
- Due from customers (Note 15)	27,101	17,448
Staff loans	25	32
Other receivables	851	854
	52,882	46,792

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15 Construction Contract Work-In-Progress

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
<i>Construction contract work-in-progress</i>		
Beginning of financial year/period	1,154	-*
Contract costs incurred during financial year/period	166,604	62,954
Contract expenses recognised in the profit or loss during the financial year	(167,758)	(62,954)
	<hr/>	<hr/>
End of financial year/period	-*	-
Aggregate costs incurred and profits recognised (less recognised losses) to date on uncompleted construction contracts	203,417	53,674
Less: progress billings	(176,316)	(39,167)
	<hr/>	<hr/>
	27,101	14,507
Presented as:		
Due from customers on construction contracts (Note 14)	27,101	17,448
Due to customers on construction contracts (Note 21)	-	(2,941)
	<hr/>	<hr/>
	27,101	14,507
Advances received on construction contracts (Note 21)	<hr/>	<hr/>
	4,401	1,586

* Amount is less than \$1,000

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16 Inventories

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Steels and other raw materials	2,688	2,131

The cost of inventories recognised as an expense and included in “cost of sales” for the six-month period ended 30 November 2009 and 2010 amounted to \$35,749,000 and \$7,941,000 respectively (Note 8).

17 Other Current Assets

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Deposits	515	501
Prepayments	337	361
Deferred IPO cost	1,299	1,560
	<u>2,151</u>	<u>2,422</u>

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18 Investment in an Associated Company

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
<i>Unquoted equity investments, at cost</i>		
Beginning of financial year/period	-	81
Investment	127	13
Share of losses	(46)	(28)
Currency translation differences	-*	(2)
	<hr/>	<hr/>
End of financial year/period	81	64
	<hr/>	<hr/>
The summarised financial information of associated company is as follows:		
- Assets	270	194
- Liabilities	-*	-*
- Revenue	-	-
- Net loss	(154)	(85)
	<hr/>	<hr/>

* Amount is less than \$1,000.

19 Investment Properties

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Beginning of financial year/period	9,713	9,916
Improvements	203	354
	<hr/>	<hr/>
End of financial year/period	9,916	10,270
	<hr/>	<hr/>

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19 Investment Properties (continued)

Investment properties are carried at fair value at the balance sheet date as determined by independent professional valuers. Valuations are made annually based on the properties’ highest-and-best-use using the Direct Market Comparison Method.

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

Investment properties are mortgaged to secure bank borrowings (Note 22).

The following amounts are recognised in the consolidated statement of comprehensive income:

	Six-month period ended 30 November	
	2009	2010
	\$’000	\$’000
	(Unaudited)	(Unaudited)
Rental income (Note 7)	199	54
Direct operating expenses arising from investment properties that generated rental income	(207)	(60)

Details of investment properties held by the Group are as follows:

<u>Location</u>	<u>Description</u>	<u>Existing Use</u>	<u>Tenure</u>	<u>Unexpired term of lease</u>
37 Tech Park Crescent	4- Storey semi-detached dormitory	Commercial	Leasehold	43
39 Tech Park Crescent	4- Storey semi-detached dormitory	Commercial	Leasehold	43

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20 Property, Plant and Equipment

	Freehold Land & Building \$'000	Office Building \$'000	Furniture & Fittings and Office Equipment \$'000	Computers \$'000	Site Building & Yard Improvement \$'000	Site Equipment & Tools \$'000	Motor Vehicles \$'000	Site Building & Yard Improvement under Construction \$'000	Total \$'000
(Audited) Cost									
At 1 June 2009	123	933	3,138	1,285	39,805	16,411	1,194	2,246	65,135
Currency translation differences	3	-	-	-	-	-	-	-	3
Additions	-	-	215	119	17,795	2,170	547	451	21,297
Disposal	-	-	-	-	-	-	(367)	-	(367)
Transfer	-	-	-	-	2,654	43	-	(2,697)	-
Written-off	-	-	-	-	(1,645)	-	-	-	(1,645)
At 31 May 2010	126	933	3,353	1,404	58,609	18,624	1,374	-	84,423
<i>Accumulated depreciation</i>									
At 1 June 2009	28	696	1,321	1,019	4,384	7,363	333	-	15,144
Currency translation differences	-*	-	-	-	-	-	-	-	-*
Charge for the financial year	2	11	283	151	1,948	3,199	250	-	5,844
Disposals	-	-	-	-	-	-	(112)	-	(112)
Written-off	-	-	-	-	(142)	-	-	-	(142)
At 31 May 2010	30	707	1,604	1,170	6,190	10,562	471	-	20,734
<i>Net book value</i>									
At 31 May 2010	96	226	1,749	234	52,419	8,062	903	-	63,689

*Amount less than \$1,000

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20 Property, Plant and Equipment (continued)

	Freehold Land & Building \$'000	Office Building \$'000	Furniture & Fittings and Office Equipment \$'000	Computers \$'000	Site Building & Yard Improvement \$'000	Site Equipment & Tools \$'000	Motor Vehicles \$'000	Site Building & Yard Improvement under Construction \$'000	Total \$'000
(Unaudited) Cost									
At 1 June 2010	126	933	3,353	1,404	58,609	18,624	1,374	-	84,423
Currency translation differences	(4)	-	-	-	-	-	-	-	(4)
Additions	-	-	53	53	135	188	690	-	1,119
Disposal	(122)	-	-	-	-	-	(366)	-	(488)
Written-off	-	-	-	-	-	(459)	-	-	(459)
At 30 November 2010	-	933	3,406	1,457	58,744	18,353	1,698	-	84,591
<i>Accumulated depreciation</i>									
At 1 June 2010	30	707	1,604	1,170	6,190	10,562	471	-	20,734
Currency translation differences	-*	-	-	-	-	-	-	-	-
Charge for the financial period	-	5	147	84	1,282	1,642	142	-	3,302
Disposals	(30)	-	-	-	-	-	(127)	-	(157)
Written-off	-	-	-	-	-	(117)	-	-	(117)
At 30 November 2010	-	712	1,751	1,254	7,472	12,087	486	-	23,762
<i>Net book value</i>									
At 30 November 2010	-	221	1,655	203	51,272	6,266	1,212	-	60,829

*Amount less than \$1,000.

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20 Property, Plant and Equipment (continued)

- (a) Included in additions in the consolidated financial statements are site equipments and tools, and motor vehicles acquired by means of finance leases as follows:

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Motor vehicles	299	347

The carrying amounts of site equipment & tools, and motor vehicles held under finance leases at the balance sheet date are as follows:

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Site equipments & tools	309	259
Motor vehicles	886	1,180
	<u>1,195</u>	<u>1,439</u>

- (b) Freehold land & building and site building and yard improvement of the Group are mortgaged to the bank to secure bank borrowings granted to the Group [Note 22(a)] as follows:

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Freehold land & building	96	-
Site building & yard improvement	18,607	18,187
	<u>18,703</u>	<u>18,187</u>

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20 Property, Plant and Equipment (continued)

Details of properties leased by the Group as at 30 November 2010 are as follows:

<u>Location</u>	<u>Description</u>	<u>Existing Use</u>	<u>Gross floor area (sq m)</u>
31 Gul Road	Workshop	Commercial	6,006
33 Gul Road	Custom-built factory	Commercial	26,640
45 Gul Road	Custom-built factory	Commercial	38,028
59 Gul Road	Custom-built factory	Commercial	39,666
13 Pandan Crescent	Custom-built factory	Commercial	29,975

21 Trade and Other Payables

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Trade payables – Non-related parties	77,491	72,890
Construction contracts:		
- Advances received (Note 15)	4,401	1,586
- Due to customers (Note 15)	-	2,941
	4,401	4,527
Accrual for staff bonus	2,514	-
Employee tax retention	1,068	1,115
Other accrual for operating expenses	2,910	1,739
Other payables	890	811
Dividends payable	13,422	4,655
Non-trade amounts due to		
- Associated company	-	22
- Related party	-	17
	-	39
	102,696	85,776

The non-trade amounts due to associated company and related party are unsecured, interest-free and are repayable on demand.

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22 Borrowings

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
<i>Current</i>		
Bank borrowings	4,294	4,283
Finance lease liabilities (Note 23)	338	357
	4,632	4,640
<i>Non-current</i>		
Bank borrowings	16,264	14,116
Finance lease liabilities (Note 23)	372	370
	16,636	14,486
Total borrowings	21,268	19,126

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:

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Not later than one year	4,632	4,640
Between one and five years	10,481	9,096
Over five years	6,155	5,390
Total borrowings	21,268	19,126

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22 Borrowings (continued)

(a) Security granted

At the balance sheet date, bank borrowings are secured by short-term bank deposits (Note 13), a legal mortgage over the Group’s freehold land & building and site building & yard improvement [Note 20(b)] and investment properties (Note 19). Finance lease liabilities of the Group are secured by the rights to the leased site equipment and tools and motor vehicles [Note 20(a)], which will revert to the lessor in the event of default by the Group.

(b) Fair value of non-current borrowings

As at the balance sheet, the fair values of non-current borrowings approximate their carrying amounts. The fair values of non-current borrowings are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	31 May 2010 \$'000 (Audited)		30 November 2010 \$'000 (Unaudited)	
	SGD %	RM %	SGD %	RM %
Bank borrowings	3.96	8.50	3.93	-
Finance lease liabilities	6.07	-	6.73	-

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23 Finance Lease Liabilities

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Minimum lease payments due:		
- Not later than one year	376	384
- Between one and five years	400	392
	<hr/> 776	<hr/> 776
Less: Future finance charges	(66)	(49)
Present value of finance lease liabilities	<hr/> 710	<hr/> 727

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

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Not later than one year (Note 22)	338	357
Between one and five years (Note 22)	372	370
Total	<hr/> 710	<hr/> 727

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24 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 sheets as follows:

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
<u>Deferred income tax liabilities</u>		
<i>Accelerated tax depreciation</i>		
- to be settled within one year	655	655
- to be settled after one year	5,086	5,086
	<hr/> 5,741	<hr/> 5,741

Movements in deferred income tax account are as follows:

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
<u>Deferred income tax liabilities</u>		
<i>Accelerated tax depreciation</i>		
Beginning of financial year/period	4,340	5,741
Tax charged to profit or loss	1,401	-
	<hr/> 5,741	<hr/> 5,741

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25 Share Capital

	31 May 2010 (Audited)	
	No. of shares	Amount \$’000
Issued and fully paid – Ordinary shares		
Beginning and end of financial year	26,475,853	26,476
	30 November 2010 (Unaudited)	
	No. of shares	Amount \$’000
Issued and fully paid – Ordinary shares		
Beginning and end of financial period	26,475,853	26,476

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

26 Dividends

	31 May 2010 \$’000 (Audited)	30 November 2010 \$’000 (Unaudited)
<i>Ordinary dividends</i>		
Interim tax-exempt (one-tier) dividends declared/paid in respect of the current financial year/period of \$0.83 and \$Nil per share for financial year ended 31 May 2010 and six-month period ended 30 November 2010 respectively.	22,000	-

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27 Commitments

(a) Operating lease commitments – where the Group is a lessee

The Group leases various copiers, yards and dormitory. The leases have varying terms, renewal rights and escalation clauses to reflect current market rental and value.

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:

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Not later than one year	2,797	2,469
Between one and five years	9,082	9,699
Later than five years	37,320	38,557
	49,199	50,725

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

The Group leases out dormitory and office containers to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increases to the lease payments or contingent rents computed based on their sales achieved during the lease period.

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:

	31 May 2010 \$'000 (Audited)	30 November 2010 \$'000 (Unaudited)
Not later than one year	77	29
	77	29

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28 Contingencies

- (a) On 6 August 2009, Swanlin Asia Pte Ltd instituted legal proceedings in Singapore against the Group’s main operating subsidiary, Dyna-Mac Engineering Services Pte Ltd (Suit No. 684 of 2009/P), to claim for a sum of \$1,947,758 or alternatively any other sum as the Court sees fit, allegedly for a series of unpaid invoices for work done pursuant to work orders issued by Dyna-Mac Engineering Services Pte Ltd for the Thunderhawk FPU-5500 project.

Dyna-Mac Engineering Services Pte Ltd resisted the entire claim by Swanlin Asia Pte Ltd and counterclaimed the sum of \$1,293,971 (before GST).

Swanlin Asia Pte Ltd also issued a new writ in Suit 549/2010/A on 26 July 2010 for the total sum of \$2,336,256 (after GST) for additional claims in relation to the same project.

Swanlin Asia Pte Ltd subsequently applied to court to consolidate both actions into one. On 19 August 2010, the court gave directions to discontinue Suit No. 684/2009/P and directed the claim and counterclaim in Suit 684/2009/P to be included in the claim in Suit 549/2010/A so that all matters relating to the same project could be decided in one case.

Pursuant to settlement agreement dated 10 January 2011, each of Swanlin Asia Pte Ltd and Dyna-Mac Engineering Services Pte Ltd agreed to settle all their disputes relating to the Thunderhawk project. As part of the settlement agreement, Dyna-Mac Engineering Services Pte Ltd paid \$600,000 to Swanlin Asia Pte Ltd as full and final settlement of all claims which either party has or may have against each other. Each party shall also bear their own respective legal costs in relation to Suite 549/2010/A and Suit 684/2009/P. Swanlin Asia Pte Ltd has on 18 January 2011 filed a notice of discontinuance for the Suit 549/2010/A.

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28 Contingencies (continued)

- (b) Weir LGE Process (“WLGE”) had engaged Dyna-Mac Engineering Services Pte Ltd as sub-contractor to carry out fabrication works for four refrigeration skids, of which two have been completed. Dyna-Mac Engineering Services Pte Ltd is now alleging breach of contract by WLGE, and is claiming for payment of work carried out and completed by Dyna-Mac Engineering Services Pte Ltd for the sum of US\$3,039,344.

WLGE has denied that it is in breach and has alleged that Dyna-Mac Engineering Services Pte Ltd was in breach of contract by failing to complete the remaining 2 skids, and has indicated its claim for breach of contract and costs of repairs to the completed skids as £1,460,094 (i.e. approximately \$2,941,213).

Both parties have indicated their intentions to go for arbitration, but neither party has initiated arbitration under the International Chamber of Commerce. Dyna-Mac Engineering Services Pte Ltd is examining its claim in detail by consulting an international project management consultancy firm to obtain a technical opinion so it may proceed with its claim against WLGE.

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

- (c) In FY2007, an accident resulting in the death of a worker occurred on the Group premises. The Ministry of Manpower has carried out investigations to determine the cause of the accident. On 26 November 2010, Dyna-Mac Engineering Services Pte Ltd received a summons requiring the company to appear on 14 December 2010 before the Subordinate Court to answer to a charge for contravening Regulation 20(1) of the Factories (Operations of Cranes) Regulations for failing to appoint a lifting supervisor before any lifting operation involving the use of crane, and before the lifting operation of metal web frames involving a gantry crane in the Group fabrication yard. The summons also stated in the event of a conviction, Dyna-Mac Engineering Services Pte Ltd shall be liable to a fine not exceeding \$20,000. On 14 December 2010, the hearing of the case was postponed to 25 January 2011 and subsequently to 22 February 2011. As at the date of this report, the charges are still pending.

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29 Related Party Transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Revenue, purchases and other expenses

	Six-month period ended	
	30 November	
	2009	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<u>Transactions with Speedgrow International Pte. Ltd.</u>		
<u> ("Speedgrow")</u>		
Supply of stationery, office appliances and consumables to Speedgrow	6	-
Sub-contracting services for fabrication of structural steel by Speedgrow	130	-
Supply of manpower service by Speedgrow	10	-
Supply of machine and equipment by Speedgrow	861	44
<hr/>		
<u>Transactions with L & W United Engineering Pte. Ltd.</u>		
<u> ("L & W")</u>		
Sub-contracting services for steel and piping fabrication by L & W	872	1,297
Supply of manpower services by L & W	8	184
Rental of office containers and equipment to L & W	9	2
Worker accommodation and utilities charged to L & W	101	5
<hr/>		

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29 Related Party Transactions (continued)

(a) Revenue, purchases and other expenses (continued)

	Six-month period ended 30 November	
	2009	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
<u>Transactions with Jobel Holdings Pte. Ltd.</u>		
Rental of luxury yachts	21	-
<u>Transactions with Jobel Lifestyle Pte. Ltd.</u>		
Rental of luxury yachts	5	50

Note:

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

Outstanding balances as at the balance sheet date, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 14 and 21 respectively.

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29 Related Party Transactions (continued)

(b) Key management personnel compensation

Key management personnel compensation is analysed as follow:

	Six-month period ended	
	30 November	
	2009	2010
	\$'000	\$'000
	(Unaudited)	(Unaudited)
Directors		
Salaries, wages and bonuses	454	714
Employer’s contribution to defined contribution plans including CPF	7	3
	461	717
Senior Management		
Salaries, wages and bonuses	654	622
Employer’s contribution to defined contribution plans including CPF	11	11
	665	633
	1,126	1,350

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30 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 comprises 2 independent directors and 4 non-independent directors. The Board of Directors considers the business from both a geographic and business segment perspective. Management manages and monitors the business in the two primary business segments: Module business and Ad hoc project.

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

Six-month period ended 30 November 2009 (Unaudited)

	Module Business \$'000	Ad Hoc Project (Other Services) \$'000	Total \$'000
Sales			
Total segment sales - sales to external parties	121,987	2,598	124,585
Gross profit	<u>22,195</u>	<u>1,005</u>	23,200
Other income			1,252
Administrative expenses			(8,100)
Finance expense			(326)
Share of loss of an associated company			(25)
Profit before income tax			<u>16,001</u>
Income tax expense			(2,903)
Net profit			<u>13,098</u>
Net profit includes:			
Depreciation	2,708	58	2,766
Total assets	<u>104,981</u>	<u>5,372</u>	110,353
Total assets includes:			
Additions to property, plant and equipment	5,533	118	5,651
Total liabilities	<u>89,586</u>	<u>556</u>	90,142

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30 Segment Information (continued)

Six-month period ended 30 November 2010 (Unaudited)

	Module Business S\$'000	Ad Hoc Project (Other Services) \$'000	Total S\$'000
Sales			
Total segment sales - sales to external parties	83,665	21	83,686
Gross profit	20,724	8	20,732
Other income			441
Administrative expenses			(8,621)
Finance expense			(407)
Share of loss of an associated company			(28)
Profit before income tax			12,117
Income tax expense			(2,056)
Net profit			10,061
Net profit includes:			
Depreciation	3,302	-	3,302
Total assets	102,246	6,619	108,865
Total assets includes:			
Additions to property, plant and equipment	1,119	-	1,119
Total liabilities	77,398	18	77,416

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.

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30 Segment Information (continued)

The Board of Directors assesses the performance of the operating segments 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 expense. This is reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

Reportable segments’ assets are reconciled to total assets as follows:

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, intangible assets, inventories and receivables attributable to each segment.

All assets are allocated to reportable segments other than relate to investment properties, investment in club memberships, investment in an associated company, cash and cash equivalents, other receivables and other current assets.

	31 May 2010 S\$’000 (Audited)	30 November 2010 S\$’000 (Unaudited)
Segment assets for reportable segments	118,383	108,865
Unallocated		
– Cash and cash equivalents	33,246	33,382
– Other receivables	876	887
– Other current assets	2,151	2,422
– Club memberships	77	77
– Investment in an associated company	81	64
– Investment properties	9,916	10,270
	<hr/> 164,730	<hr/> 155,967

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30 Segment Information (continued)

Reportable segments’ liabilities are reconciled to total liabilities as follows:

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 trade and other payables, borrowings, current income tax liabilities and deferred income tax liabilities.

	31 May 2010 S\$’000 (Audited)	30 November 2010 S\$’000 (Unaudited)
Segment liabilities for reportable segments	81,892	77,416
Unallocated		
– Other payables	20,804	8,360
– Borrowings	21,268	19,126
– Current income tax liabilities	5,034	5,308
– Deferred income tax liabilities	5,741	5,741
	<hr/> 134,739	<hr/> 115,951

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30 Segment Information (continued)

The Group’s sales, based on the customers’ location, are mainly in countries such as Australia, Japan, Monaco, United States of America, Netherlands, Norway, United Kingdom, Singapore and Malaysia.

	Six-month period ended	
	30 November	
	2009	2010
	\$’000	\$’000
	(Unaudited)	(Unaudited)
Asia Pacific	64,725	55,809
Europe	57,660	27,877
United States of America (“USA”)	2,200	-
	124,585	83,686

The Group’s property, plant and equipment are located in the following countries:

	31 May	30 November
	2010	2010
	S\$’000	S\$’000
	(Audited)	(Unaudited)
Singapore	63,593	60,829
Malaysia	96	-
	63,689	60,829

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31 Financial risk management

The Group’s activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group’s financial performance. The Group uses financial instruments such as interest rate swaps and currency forward 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.

The overall business strategies of the Group, its tolerance for risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. In determining its risk management policies, the management ensures that an acceptable balance is made between the cost of risks occurring and the cost of managing the risks.

(a) Market risk

(i) *Currency risk*

Entities in the Group regularly transact in currencies other than the functional currency (“foreign currencies”) such as United States Dollar (“USD”).

Currency risk arises when transactions are denominated in foreign currencies. The Group manages the foreign exchange exposure arising from future commercial transactions and recognised assets and liabilities by a policy of matching as far as possible, receipt and payments in each individual currency.

In addition, the Group selectively hedges the foreign currency exposure for foreign currency denominated contracts by entering into foreign currency forward contracts. Currently, the Group does not have any formal policy for hedging against foreign currency exposure. However, the management will continue to monitor the foreign currency exposure and may employ hedging instruments to manage the foreign exchange exposure should the need arise.

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31 Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

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

	<u>SGD</u> \$’000	<u>USD</u> \$’000	<u>Other</u> \$’000	<u>Total</u> \$’000
At 31 May 2010				
(Audited)				
Financial assets				
Cash and cash equivalents	30,214	2,017	1,015	33,246
Trade and other receivables	51,993	156	733	52,882
Other financial assets	515	-	-	515
	<u>82,722</u>	<u>2,173</u>	<u>1,748</u>	<u>86,643</u>
Financial liabilities				
Borrowings	(21,251)	-	(17)	(21,268)
Other financial liabilities	(101,778)	(254)	(664)	(102,696)
	<u>(123,029)</u>	<u>(254)</u>	<u>(681)</u>	<u>(123,964)</u>
Net financial assets/(liabilities)	(40,307)	1,919	1,067	(37,321)
Add: Net non-financial assets	67,297	-	15	67,312
Currency profile including non-financial assets and liabilities	<u>26,990</u>	<u>1,919</u>	<u>1,082</u>	<u>29,991</u>
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities’ functional currencies	<u>-</u>	<u>1,919</u>	<u>(94)</u>	<u>1,825</u>

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31 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	<u>SGD</u> \$'000	<u>USD</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
<u>At 30 November 2010</u>				
<u>(Unaudited)</u>				
Financial assets				
Cash and cash equivalents	30,533	1,453	1,396	33,382
Trade and other receivables	40,206	6,549	37	46,792
Other financial assets	484	-	17	501
	<u>71,223</u>	<u>8,002</u>	<u>1,450</u>	<u>80,675</u>
Financial liabilities				
Borrowings	19,126	-	-	19,126
Other financial liabilities	85,132	370	274	85,776
	<u>104,258</u>	<u>370</u>	<u>274</u>	<u>104,902</u>
Net financial assets/(liabilities)	(33,035)	7,632	1,176	(24,227)
Add: Net non-financial assets/(liabilities)	67,053	-	(2,810)	64,243
Currency profile including non-financial assets and liabilities	<u>34,018</u>	<u>7,632</u>	<u>(1,634)</u>	<u>40,016</u>
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	<u>-</u>	<u>7,632</u>	<u>(20)</u>	<u>7,612</u>

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31 Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

At 31 May 2010 and 30 November 2010, if the USD has strengthen/weakened by 5% respectively against SGD with all other variables including tax rate being held constant, the Group’s net profit would have been \$96,000 and \$382,000 higher/lower, as a result of currency translation gains/losses on remaining USD-denominated financial instruments.

(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 value of a financial instrument will fluctuate due to changes in market interest rates. The Group’s interest rate risk mainly arises from bank borrowings at fixed interest rates. The Group manages its interest rate risk by keeping bank borrowings to the minimum required to sustain the operations of the Group.

The Group’s policy is to maintain 30% – 40% of its borrowings in fixed rate instruments. The Group’s exposure to cash flow interest rate risks arises mainly from non-current variable-rate borrowings. The Group manages these cash flow interest rate risks by using floating-to-fixed interest rate swaps.

The Group’s borrowings at variable rates on which effective hedges have not been entered into are denominated in SGD. If the SGD interest rate increase/decrease by 0.5% as at 31 May 2010 and 30 November 2010 with all other variables including tax rate being held constant, the impact to the net profit as a result of higher/lower interest expense on these borrowings is assessed as being not material.

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31 Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that debtors will default on its contractual obligations. A substantial portion of the Group’s revenue is on credit term or stage of completion. These credit terms are normally contractual. The Group adopts stringent procedures on extending credit terms to customers and the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry’s practices as reference. This includes assessment and valuation of customers’ credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered.

Concentration of credit risk with respect to the accounts receivable is limited since the Group trades only with recognised and creditworthy third parties, who are mostly internationally dispersed. The Group also has policies in place to ensure that services are provided to customers with appropriate guaranteed letters of credit from registered banks of the customers’ home countries.

The Group has concentration of credit risk with major customers. The balances owed by 3 major customers, who on aggregate accounted for approximately 68% and 72% of the Group’s total trade receivables as at 31 May 2010 and 30 November 2010. Those major customers include: Single Buoy Moorings, Inc., Modec Offshore Production Systems (Singapore) Pte Ltd and VWS Westgarth Ltd.

The management monitors these trade receivables closely and consider the risk of default by these customers to be minimal as the debts are fairly current.

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.

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31 Financial risk management (continued)

(b) Credit risk (continued)

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

	31 May 2010 S\$'000 (Audited)	30 November 2010 S\$'000 (Unaudited)
<u>By geographical areas</u>		
Asia Pacific	19,497	9,242
Europe	3,813	19,215
USA	1,595	-
	24,905	28,457
<u>By types of customers</u>		
Related parties	1,009	737
Non-related parties		
- Foreign	18,942	22,173
- Local	4,954	5,547
	24,905	28,457

(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 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.

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31 Financial risk management (continued)

(b) Credit risk (continued)

(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:

	31 May 2010 S\$’000 (Audited)	30 November 2010 S\$’000 (Unaudited)
Past due 0 to 3 months	8,565	980
Past due 3 to 6 months	862	6
Past due over 6 months	3,762	191
	13,189	1,177

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

	31 May 2010 S\$’000 (Audited)	30 November 2010 S\$’000 (Unaudited)
Gross amount	1,647	1,550
Less: Allowance for impairment	(1,647)	(1,550)
	-	-
Beginning of financial year	630	1,647
Allowance made	1,512	-
Allowance utilised	(495)	-
Write-back of allowance	-	(97)
End of financial year/period	1,647	1,550

The impaired trade receivables arise mainly from construction revenue from customers which are under dispute and/or no longer contactable.

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31 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management requires the Group to maintain sufficient cash, internally generated cashflows, and the availability of funding resources through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

The Group manages its working capital requirements with the view to minimise cost and maintain a healthy level of liquidity appropriate to the operating environment and expected cash flow of the Group. Working capital requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

The table below analyses the maturity profile of the Group’s financial liabilities based on contractual undiscounted cash flows.

	Less than one year \$’000	Between 1 and 5 years \$’000	Later than 5 years \$’000
<u>31 May 2010</u>			
Trade and other payables	102,696	-	-
Borrowings	4,632	10,509	6,155
	107,328	10,509	6,155
<u>30 November 2010</u>			
Trade and other payables	85,776	-	-
Borrowings	4,640	9,118	5,390
	90,416	9,118	5,390

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31 Financial risk management (continued)

(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.

The Group is also required by bank to maintain a consolidated gearing ratio of not exceeding 1.5 times, debt/EBITDA not more than 3.0 times, and EBITA/interest expense not more than 2.0 times.

Management monitors capital based on gearing ratio. The Group strategies which remain unchanged during the financial year ended 31 May 2010 and the six-month period ended 30 November 2010 are to maintain a gearing ratio not exceeding 1.5 times.

The gearing ratio is calculated as total borrowings plus contingent liabilities divided by net worth. Net worth is defined as paid up capital plus retained profits and excluding asset revaluation reserves, if any and, other intangible assets.

	31 May 2010 S\$’000 (Audited)	30 November 2010 S\$’000 (Unaudited)
Total borrowings	21,268	19,126
Total net worth	<u>29,991</u>	<u>40,016</u>
Gearing ratio	<u>0.7</u>	<u>0.5</u>

The Group is in compliance with all externally imposed capital requirements as at 31 May 2010 and 30 November 2010.

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32 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 2011 or later periods and which the Group has not early adopted:

- Amendments to FRS 24 – Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
- Amendments to INT FRS 114 – Prepayments of a minimum funding requirement (effective for annual periods commencing on or after 1 January 2011)
- INT FRS 119 Extinguishing financial liabilities with equity instruments (effective for annual periods commencing on or after 1 July 2010)

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, except for the amendments to FRS 24 – Related party disclosures.

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. However, the revised definition of a related party will also mean that some entities will have more related parties and will be required to make additional disclosures.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

33 Authorisation of Unaudited Consolidated Financial Statements for Issue

The unaudited consolidated financial statements of Dyna-Mac Holdings Ltd. and its subsidiaries for the six-month period ended 30 November 2010 were authorised for issue in accordance with a resolution of the Directors on 21 February 2011.

APPENDIX C – TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares. Prospective investors should consult their tax advisors regarding Singapore tax and other tax consequences of owning and disposing our Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

SINGAPORE INCOME TAX

Corporate income tax

Singapore resident and non-resident corporate taxpayers are subject to Singapore income tax on:-

- (i) income accruing in or derived from Singapore; and
- (ii) foreign-sourced income received or deemed received in Singapore, unless otherwise exempted.

Foreign income in the form of branch profits, dividends and service fee income (“specified foreign income”) received or deemed received in Singapore by a Singapore tax resident corporate taxpayer are exempted from Singapore income if certain prescribed conditions are met.

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore.

The corporate tax rate in Singapore is 17% with effect from Year of Assessment 2010 with partial exemption on the first \$300,000 of a company’s normal chargeable income. The partial tax exemption does not apply to Singapore franked dividends received by companies.

Individual income tax

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accrued in or derived from Singapore, subject to certain exceptions. Foreign-sourced personal income received or deemed received in Singapore by a Singapore tax resident individual (except where such income is received through a partnership) is exempt from tax in Singapore. Certain investment income derived from Singapore sources by individuals will also be exempt from tax.

Currently, a Singapore tax resident individual is subject to tax at the progressive rates, ranging from 0% to 20%.

A non-Singapore tax resident individual is normally taxed at the tax rate of 20% except that Singapore employment income is taxed at a flat rate of 15% or at resident rates, whichever yields a higher tax.

An individual is regarded as tax resident in Singapore if, in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

APPENDIX C – TAXATION

DIVIDEND DISTRIBUTIONS

The previous Imputation System was replaced by a One-Tier Corporate Taxation System (“**One-Tier System**”) on 1 January 2003. Under the One-Tier System, the tax paid by a Singapore tax resident company is a final tax and the after-tax profits of the company can be distributed to shareholders as Tax Exempt (One-Tier) dividends.

Dividends paid by our Company will be exempt from Singapore tax in the hands of Shareholders, regardless of the tax residence status or the legal form of the Shareholders. However, foreign Shareholders are advised to consult their own tax advisors to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

GAINS ON DISPOSAL OF SHARES

Singapore does not impose tax on capital gains. However, gains may be construed to be of an income nature and subject to tax if they arise from activities which the Inland Revenue Authority of Singapore (“**IRAS**”) regards as the carrying on of a trade or business in Singapore. Any profits from the disposal of our Shares, if regarded as capital gains by the IRAS, are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature in Singapore, in which case, the disposed gains would be taxable as trading income and not treated as non-taxable capital gains.

STAMP DUTY

No stamp duty is payable on the allotment or holding of our Shares.

Stamp duty is payable on an instrument of transfer of our Shares at the rate of \$0.20 for every \$100 or any part thereof, computed on the consideration paid or market value of the Shares, whichever is higher.

The purchaser is liable for stamp duty, unless otherwise agreed. However, no stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

ESTATE DUTY

Singapore estate duty has been abolished with effect from 15 February 2008.

GOODS AND SERVICES TAX (“GST”)

The sale of our Shares by an investor belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Generally, any GST directly or indirectly incurred by the GST-registered investor in respect of this exempt supply will become an additional cost to the investor.

Where our Shares are sold by a GST registered investor to a person belonging outside Singapore, the sale is a taxable sale subject to GST at zero-rate if certain conditions are met. Any GST incurred by a GST-registered investor in the making of this taxable supply in the course or furtherance of a business may be recovered from the Comptroller of GST.

Services such as brokerage, handling and clearing charges rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor’s purchase, sale, holding of shares will be subject to GST at the standard rate currently at 7%. Similar services rendered to an investor belonging outside Singapore may be zero-rated if certain conditions are met.

APPENDIX D – DESCRIPTION OF OUR SHARES

The following statements are brief summaries of our capital structure and of the more important rights and privileges of our ordinary shareholders as conferred by the laws of Singapore and our Articles. These statements summarize the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which will be available for inspection at our offices during normal business hours for a period of 6 months from the date of this Prospectus.

Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to a share issue mandate may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares to be issued other than on a pro rata basis to our Shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on our Company's issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier.

Shareholders

Only persons who are registered in our Register of Members and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognize any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our Register of Members for any time or times if we provide the Accounting and Corporate Regulatory Authority of Singapore with at least 14 days' notice and the SGX-ST at least ten clear Market Days' notice. However, the Register of Members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our Register of Members to determine Shareholders' entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed \$2 and furnishes any evidence and indemnity that our Board of Directors may require.

General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an extraordinary general meeting whenever it thinks fit and must do so if Shareholders representing not less than 10% of the total voting rights of all Shareholders request in writing that such a meeting be held.

APPENDIX D – DESCRIPTION OF OUR SHARES

In addition, two or more Shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to our Memorandum and Articles, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing.

The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be Shareholders. A person who holds Shares through the Depository will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote (provided that in the case of a Shareholder who is represented by two proxies, the chairman of the meeting shall be entitled to treat the first named proxy as the authorised representative to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any two Shareholders present in person or by proxy and entitled to vote. In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. All dividends are paid *pro rata* among our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issue

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or monies carried and standing to any reserve) and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings.

Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

Takeovers

Under the Singapore Code on Take-overs and Mergers (the "Singapore Take-over Code"), issued by the Authority pursuant to Section 321 of the Securities and Futures Act, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the

APPENDIX D – DESCRIPTION OF OUR SHARES

Singapore Take-over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30% and 50% of the voting shares acquires additional voting shares representing more than 1% of the voting shares in any 6 month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:-

- (a) the following companies:-
 - (i) a company
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of (i), (ii), (iii) or (iv);
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:-
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10% or more of the customer's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:-
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i);

APPENDIX D – DESCRIPTION OF OUR SHARES

- (v) companies controlled by any of (i), (ii), (iii) or (iv); and
- (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding 6 months.

Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Articles provide that, subject to the Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

Limitations on Rights to Hold or Vote Shares

Except as described in “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident Shareholders to hold or vote in respect of our Shares.

Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations where:-

- (a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or
- (b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Act itself. Without prejudice to the foregoing, the Singapore courts may:-

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name of, or on behalf of, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder’s Shares by our other Shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or
- (e) provide that we be wound up.

APPENDIX E – SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The discussion below provides a summary of the principal objects of our Company as set out in our Memorandum of Association and certain provisions of our Articles of Association and the laws of Singapore. This discussion is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

MEMORANDUM OF ASSOCIATION AND REGISTRATION NUMBER

We are registered in Singapore with the Accounting and Corporate Regulatory Authority of Singapore. Our Company registration number is 200305693E. Our Memorandum of Association sets out the objects for which our Company was formed, including taking, or otherwise acquiring, and holding shares, debentures, or other securities of any other company.

SUMMARY OF OUR ARTICLES OF ASSOCIATION

1. Directors

(a) Ability of interested directors to vote

A Director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest, and he shall not be counted in the quorum present at the meeting.

(b) Remuneration

Our Directors shall be entitled to receive by way of fees for their services as Directors in each year such sum as shall from time to time, be determined by our Company by resolution passed at a General Meeting, the notice of which shall specify the proposals concerning the same. Such remuneration shall be divided amongst our Directors as they shall determine or failing agreement equally.

The fees payable to our Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the Meeting.

The remuneration of a non-executive Director shall be by a fixed sum and not by a commission on or percentage of profits or turnover. The remuneration of an executive Director may not include a commission on or a percentage of turnover.

Any Director who holds any executive office, or who serves on any committee of our Directors, or who otherwise performs services which in the opinion of our Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as our Directors may determine.

Our Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of our Directors or of any committee of our Directors or General Meetings or otherwise in or about the business of our Company.

Subject to the provisions of the Statutes, our Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums.

APPENDIX E – SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

A Director may be party to or in any way interested in any contract or arrangement or transaction to which our Company is a party or in which our Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of Auditor of our Company or any subsidiary thereof) under our Company or any other company in which our Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for our Company or any such other company and be remunerated therefore and in any such case as aforesaid (save as otherwise agreed) he may retain for his own absolute use and benefit all profits and advantages accruing to him thereunder or in consequence thereof.

(c) Borrowing

Our Directors may exercise all the powers of our Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as a security for any debt, liability, or obligation of our Company or of any third party.

These powers conferred on our Directors may be varied by amending the Articles of our Company.

(d) Retirement Age Limit

There is no retirement age limit for our Directors under our Articles. Section 153(1) of the Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or re-appointed as a director of our Company or authorised to continue in office as a director of our Company by way of an ordinary resolution passed at an annual general meeting of our Company.

(e) Shareholding Qualification

A Director need not be a Member and shall not be required to hold any share qualification in our Company.

2. Share rights and restrictions

Our Company currently has one class of shares, namely, ordinary shares. Only persons who are registered on our register of shareholders are recognized as our shareholders. In cases where the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the ordinary shares are recognized as our shareholders.

(a) Dividends and distribution

The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by our Directors. Our Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of our Company.

No dividend shall be paid otherwise than out of profits or shall bear interest against our Company. All dividends are paid *pro-rata* amongst our Shareholders in proportion to the amount paid up on each Shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

APPENDIX E – SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The payment by our Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute our Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by our Directors for the benefit of our Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to our Company but our Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

Our Directors may retain any dividends or other monies payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a Shareholder. A person who holds ordinary shares through the Depository will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote, and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting or by any two Shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

3. Change in capital

Our Company may by ordinary resolution change the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital). Our Company may by Special Resolution, reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law. For the passing of an ordinary resolution, at least fourteen (14) days' notice in writing of a general meeting shall be given to Shareholders. For the passing of a special resolution, at least twenty-one (21) days' notice in writing of a general meeting shall be given to Shareholders.

4. Variation of rights of existing shares or classes of shares

Subject to the Act, whenever the share capital of our Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of our Articles relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

**APPENDIX E – SUMMARY OF THE MEMORANDUM AND ARTICLES OF
ASSOCIATION OF OUR COMPANY**

5. Limitations on foreign or non-resident shareholders

There are no limitations imposed by Singapore law or by our Articles on the rights of our Shareholders who are regarded as non-residents of Singapore, to hold or vote their shares.

APPENDIX F – RULES OF THE DYNA-MAC SHARE AWARD SCHEME

1. Name of the Scheme

The scheme shall be called the “Dyna-Mac Share Award Scheme”.

2. Definitions

2.1 Except where the context otherwise requires, the following expressions in the Rules shall have the following meanings:-

“Act”	means the Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“Adoption Date”	means the date on which the DMSAS is adopted by the Company in general meeting
“Associate”	shall have the same meaning as defined in the Listing Manual or any other publication prescribing rules or regulations for corporations admitted to the Official List of the SGX-ST, as amended, modified or supplemented from time to time
“Associated Company”	means a company in which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control over
“Auditors”	means the auditors of the Company for the time being
“Awards”	means the contingent award of Shares under the DMSAS
“Board”	means the board of Directors of the Company from time to time
“CDP”	means the Central Depository (Pte) Limited
“CPF”	means the Central Provident Fund
“Committee”	means the Remuneration Committee of the Company, or such other committee comprising Directors of the Company duly authorised and appointed by the Board to administer the DMSAS
“Commencement Date”	means the date of commencement of the DMSAS
“Company”	means Dyna-Mac Holdings Ltd.
“Controlling Shareholder”	shall have the same meaning as defined in the Listing Manual
“Corporation”	shall have the same meaning as defined in the Act
“Date of Grant”	means in relation to an Award, the date on which the Shares are granted to a Selected Person
“Directors”	means the directors of the Company for the time being
“Dyna-Mac Share Award Scheme” or “Scheme” or “DMSAS”	means Dyna-Mac Share Award Scheme, as the same may be modified or altered from time to time

APPENDIX F – RULES OF THE DYNA-MAC SHARE AWARD SCHEME

“Financial Year”	means the financial year of the Company ended 31 May or as the case may be
“Group”	means the Company, its Subsidiaries and its Associated Companies
“Group Employee”	means a full-time employee of the Group (including any Group Executive Director)
“Group Executive Director”	means a director of any of the Company, its Subsidiaries and/or its Associated Companies, as the case may be, who performs an executive function
“Group NED”	means a director of any of the Company, its Subsidiaries and/or its Associated Companies (including an Independent Director), as the case may be, other than a Group Executive Director
“Independent Directors”	means an independent Director of any of the Company, its Subsidiaries and/or its Associated Companies, as the case may be
“Listing Manual”	means the Listing Manual of the SGX-ST
“Market Day”	means a day on which the SGX-ST is open for trading of securities
“Market Price”	means the average of the last dealt prices for the Shares on the SGX-ST for the five (5) consecutive Market Days immediately preceding the relevant date of grant for which there was trading in the Shares
“month”	means calendar month
“Performance Targets”	means the performance targets prescribed by the Committee to be fulfilled by a Selected Person for any particular period under the DMSAS
“Rules”	means the rules of the DMSAS, as the same may be amended, modified or supplemented from time to time
“Selected Person”	means a person who is selected by the Committee to participate in the DMSAS in accordance with the provisions of the DMSAS
“SGX-ST”	means the Singapore Exchange Securities Trading Limited
“Shareholders”	means the registered holders of the Shares or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register
“Shares”	means the ordinary shares in the capital of the Company

APPENDIX F – RULES OF THE DYNA-MAC SHARE AWARD SCHEME

“Subsidiary” shall have the same meaning in relation to the Company as defined in the Act

“%” means percentage or per centum

“\$” means Singapore dollars

2.2 The terms “Depositor” and “Depository Agent” shall have the meanings ascribed to them respectively by Section 130A of the Act.

2.3 Any reference in the DMSAS to any enactment is a reference to that enactment as for the time being amended, modified, supplemented or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.

2.4 Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine and neuter genders where the context admits.

2.5 Any reference to a time of day shall be a reference to Singapore time.

3. Objectives

The purpose of the DMSAS is to provide an opportunity for Group Employees and directors of the Group, who have met the Performance Targets to be remunerated not just through cash bonuses but also by an equity stake in the Company. The DMSAS is also extended to the Group NEDs.

The Company believes that the retention of outstanding employees within the Group is paramount to the Group’s long-term objective of pursuing continuous growth and expansion in its business and operations. The Group also acknowledges that it is important to preserve financial resources for future business developments and to withstand difficult times. As such, one of the Group’s strategies is to contain the remuneration of its employees and executives that is a major component of the Group’s operating costs.

The DMSAS is formulated with those objectives in mind. It is hoped that through the DMSAS, the Company would be able to remain an attractive and competitive employer and better able to manage its fixed overhead costs without compromising on performance standards and efficiency.

4. Eligibility

4.1 The following persons (provided that such persons are not undischarged bankrupts at the relevant time) shall be eligible to participate in the DMSAS at the absolute discretion of the Committee:-

(a) Group Employees who have attained the age of 21 years on or before the Date of Grant;

(b) Group Executive Directors; and

(c) Group NEDs (including Independent Directors).

4.2 Group Employees, Group Executive Directors and Group NEDs who are also Controlling Shareholders or Associates of a Controlling Shareholder are also eligible to participate in the DMSAS provided that the terms of each grant and the actual number of Awards granted under the DMSAS to a Selected Person who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in a separate resolution.

APPENDIX F – RULES OF THE DYNA-MAC SHARE AWARD SCHEME

- 4.3 The participation of the Controlling Shareholders or Associates of a Controlling Shareholder is subject to the following:-
- (a) the aggregate of the number of Shares comprised in Awards granted to Controlling Shareholders or an Associate of such Controlling Shareholders under the DMSAS shall not exceed 25% of the aggregate of the total number of Shares (comprised in Awards) which may be granted under the DMSAS; and
 - (b) the aggregate of the number of Shares in respect of Awards granted to each Controlling Shareholder or Associate(s) of a Controlling Shareholder shall not exceed 10% of the total number of Shares (comprised in Awards) which may be granted under the DMSAS.
- 4.4 For the purposes of paragraph 4.1(a) above, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.
- 4.5 There shall be no restriction on the eligibility of any Selected Person to participate in any other share option or share incentive schemes implemented by the Company or any other company within the Group.
- 4.6 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the DMSAS may be amended, modified or supplemented from time to time at the absolute discretion of the Committee.
5. Limitations under the DMSAS
- 5.1 The aggregate number of Shares to be delivered pursuant to the vesting of the Awards on any date, when added to the number of Shares issued and/or issuable under such other share-based incentive plans of the Company, shall not exceed 15% of the total number of issued Shares of the Company (excluding treasury shares) on the day preceding that date.
- 5.2 Awards may only be vested, and consequently any Shares comprised in such Awards shall only be delivered, upon the Committee being satisfied that the Selected Person has achieved the Performance Targets.
6. Date of Grant
- The Committee may grant Awards at any time during the Financial Year of the Company, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested and hence any Shares comprised in such Awards may only be delivered on or after the second Market Day from the date on which the aforesaid announcement is made.
7. Awards
- 7.1 Awards are personal to the Selected Person to whom it is given and shall not be transferred (other than to a Selected Person's personal representative on the death of that Selected Person), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.
- 7.2 Once an Award is finalised by the Committee, the Committee shall send an Award letter to the Selected Person confirming the said Award. The said Award letter shall specify inter alia, the following:-
- (a) the number of Shares which are the subject of the Award;
 - (b) the Performance Target(s) for the Selected Person;

APPENDIX F – RULES OF THE DYNA-MAC SHARE AWARD SCHEME

- (c) the performance period during which the Performance Target(s) shall be satisfied;
- (d) the date on which the Award shall be vested; and
- (e) any other condition which the Committee may determine in relation to that Award.

8. Vesting of the Awards

8.1 Notwithstanding that a Selected Person may have met his Performance Targets:-

- (a) no Awards shall be made; or
- (b) any Award, to the extent not yet vested, shall forthwith become void and cease to have any effect,

upon the occurrence of any of the following events:-

- (c) the bankruptcy of the Selected Person or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Award; or
- (d) misconduct on the part of the Selected Person as determined by the Committee in its absolute discretion;
- (e) if the Committee shall, at its absolute discretion, deems it appropriate that such Award to be given or given, as the case may be, to a Selected Person shall so lapse on the grounds that any of the objectives of the DMSAS (as set out in Rule 3) have not been met;
- (f) subject to Rule 8.2 below, the Selected Person ceases to be in the employment of or ceases to hold any office in the Group for any reason whatsoever,

and in such an event, the Selected Person shall have no claim whatsoever against the Group and its respective directors and employees.

8.2 Where the Selected Person ceases to be employed by or ceases to hold any office in the Group by reason of :-

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age;
- (d) retirement before the legal retirement age with the consent of the Committee; or
- (e) any other reason where the cessation of employment is approved by the Committee,

the Committee may, in its absolute discretion, notwithstanding Rule 8.1(d), preserve all or any part of any Award and decide whether to give the Award to the Selected Person. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by the Selected Person, the extent to which the Performance Targets have been fulfilled.

8.3 If a Selected Person has fulfilled his Performance Targets but dies before an Award is made, the Award shall in such circumstances be given to the personal representatives of the Selected Person.

APPENDIX F – RULES OF THE DYNA-MAC SHARE AWARD SCHEME

9. Take-over and winding up of the Company

9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Selected Person shall be entitled to Awards if he has met the Performance Targets within the period commencing on the date on which such offer for a take-over of the Company is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-

- (a) the expiry of six (6) months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the last date on which the Performance Targets are to be fulfilled); or
- (b) the date of expiry of the period for which the Performance Targets are to be fulfilled.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Selected Persons that it intends to exercise such rights on a specified date, the Selected Person shall be obliged to fulfill such Performance Target until the expiry of such specified date or the expiry date of the Performance Target relating thereto, whichever is earlier, before an Award can be vested.

9.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Selected Person shall be entitled, notwithstanding Rule 8 but subject to Rule 9.5, to any Awards so determined by the Committee to be vested in him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.

9.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Awards, notwithstanding that they may have been so vested shall be deemed or become null and void.

9.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Awards shall so vest in the Selected Person for so long as, in the absolute determination by the Committee, the Selected Person has met the Performance Targets prior to the date that the members' voluntary winding-up shall be deemed to have been commenced or effective in law.

9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Selected Persons, whether by the payment of cash or by any other form of benefit, no Award shall be made in such circumstances.

10. Operation of the DMSAS

10.1 Subject to legislation and SGX-ST guidelines such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the DMSAS and the Memorandum and Articles of Association of the Company, the Company will have the flexibility to deliver Shares to Selected Persons upon vesting of their Awards by the following means as it deems fit in its sole and absolute discretion:-

- (a) the allotment and issue to each Selected Person of the number of new Shares, deemed to be fully paid or credited upon their allotment and issuance;
- (b) delivering existing Shares to the Selected Person, whether such existing Shares are acquired pursuant to a share purchase mandate or (to the extent permitted by law) held as treasury shares or otherwise; and/or

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- (c) payment of the aggregate Market Price of the Shares in cash in lieu of allotment or transfer.
- 10.2 The Company shall, within 10 Market Days after the vesting of an Award, allot the new Shares or transfer the purchased Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit. If payment in cash for the aggregate Market Price of the Shares is to be made in lieu of allotment or transfer, the payment shall be made, within 10 Market Days after the vesting of an Award.
- 10.3 The Company shall, as soon as practicable after such allotment, apply to the SGX-ST for permission to deal in and for quotation of the new Shares.
- 10.4 Shares which are the subject of an Award shall be issued in the name of CDP to the credit of the securities account of that Selected Person maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.
- 10.5 New Shares issued and allotted upon the vesting of an Award shall be subject to all the provisions of the Memorandum and Articles of Association of our Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or after the relevant vesting date of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.
- 10.6 The "aggregate Market Price" of the Shares to be paid to a Selected Persons in lieu of allotment or transfer, shall be calculated in accordance with the following formula:-
- $$A = B \times C$$
- Where:
- A is the aggregate Market Price of the Shares to be paid to the Selected Person in lieu of all or some of the Shares to be issued or transferred upon the release of an Award;
- B is the Market Price of each Share; and
- C is such number of Shares (as determined by the Committee in its sole and absolute discretion) to be issued or transferred to a Selected Person upon the release of an Award in accordance with the rules of the DMSAS.
- 10.7 The Committee shall have the discretion to amend or waive the Performance Targets, the prescribed performance period and the prescribed vesting period or any of them in respect of any Award and the Committee shall notify the Selected Person of such amendment or waiver (but accidental omission to give notice to any Selected Person(s) shall not invalidate any such amendment or waiver).
11. Variation of Capital
- 11.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place:-
- (a) the class and/or number of Shares comprised in an Award; and/or
- (b) the class and/or number of Shares which may be granted under the DMSAS,

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shall be adjusted by the Committee to give each Selected Person the same proportion of the equity capital of the Company as that to which he was previously entitled and, in doing so, the Committee shall determine at its own discretion the manner in which such adjustment shall be made.

11.2 Unless the Committee considers an adjustment to be appropriate:-

- (a) the issue of securities as consideration for an acquisition or a private placement of securities;
- (b) the increase in the number of issued Shares as a consequence of the exercise of options or other convertibles entitling holders of such options or convertibles to acquire Shares in the capital of the Company;
- (c) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; and
- (d) the increase in the issued share capital of the Company as a consequence of the delivery of new Shares pursuant to the vesting of the Awards from time to time by the Company or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment.

11.3 Notwithstanding the provisions of Rule 11.1:-

- (a) no such adjustment shall be made if as a result, the Selected Person receives a benefit that a Shareholder does not receive; and
- (b) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

11.4 Upon any adjustment required to be made pursuant to this Rule 11, the Company shall notify the Selected Person (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued pursuant to the grant of an Award. Any adjustment shall take effect upon such written notification being given.

12. Administration of the DMSAS

12.1 The DMSAS shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him.

12.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the DMSAS) for the implementation and administration of the DMSAS as they think fit including, but not limited to:-

- (a) imposing restrictions on the number of Awards that may be vested within each Financial Year; and
- (b) amending or waiving the Performance Targets, the prescribed performance period and the prescribed vesting period or any of them in respect of any Award.

APPENDIX F – RULES OF THE DYNA-MAC SHARE AWARD SCHEME

12.3 Any decision of the Committee made pursuant to any provision of the DMSAS (other than a matter to be certified by the Auditors) shall be final and binding (including any decisions pertaining to the number of Shares to be vested) or to disputes as to the interpretation of the DMSAS or any rule, regulation, procedure thereunder or as to any rights under the DMSAS).

13. Notices and Annual Report

13.1 Any notice required to be given by a Selected Person to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.

13.2 Any notices or documents required to be given to a Selected Person or any correspondence to be made between the Company and the Selected Person shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or at the last known address of the Selected Person and if sent by post, shall be deemed to have been given on the day following the date of posting.

13.3 The Company shall disclose the following in its annual report:-

(a) the names of the members of the Committee administering the DMSAS;

(b) in respect of the following Selected Persons of the DMSAS:-

(i) Directors of the Company;

(ii) Controlling Shareholders and their Associates; and

(iii) Selected Persons (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the vesting of Awards granted under the DMSAS which, in aggregate, represent 5% or more of the total number of new Shares available under the DMSAS,

the following information:-

(1) name of the Selected Person;

(2) the aggregate number of Shares comprised in Awards granted to such Selected Person under the DMSAS during the financial year under review;

(3) the aggregate number of Shares comprised in Awards granted to such Selected Person under the DMSAS since the commencement of the DMSAS to the end of the financial year under review;

(4) the aggregate number of Shares comprised in Awards granted to such Selected Person under the DMSAS which have vested during the financial year under review and in respect of such Awards, the proportion of Shares issued or transferred upon the release of the vested Awards; and

(5) the aggregate number of Shares comprised in Awards granted to such Selected Person under the DMSAS which have not been released as at the end of the financial year under review.

(c) in relation to the DMSAS, the following particulars:-

(i) the aggregate number of Shares comprised in Awards vested since the commencement of the DMSAS to the end of the financial year under review;

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- (ii) the aggregate number of new Shares issued which are comprised in Awards vested during the financial year under review; and
 - (iii) the aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review.
- (d) such other information as may be required by the Listing Manual or the Act.

If any of the above is not applicable, an appropriate negative statement shall be included therein.

14. Modifications to the DMSAS

14.1 Any or all the provisions of the DMSAS may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:-

- (a) any modification or alteration of the provisions of the DMSAS relating to the matters contained in Rules 844 to 849, and Rules 853 to 854 of the Listing Manual which would be to the advantage of Selected Persons under the DMSAS shall be subject to the prior approval of Shareholders in general meeting;
- (b) no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration except with the written consent of such number of Selected Persons under the DMSAS who, if their Awards were released to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued in full pursuant to all outstanding Awards under the DMSAS; and
- (c) no modification or alteration shall be made without due compliance with the Listing Manual and such other regulatory authorities as may be necessary.

14.2 The Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the rules or provisions of the DMSAS in any way to the extent necessary to cause the DMSAS to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Selected Persons.

15. Terms of employment unaffected

The terms of employment of a Selected Person (who is a Group Employee) shall not be affected by his participation in the DMSAS, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. Duration of the DMSAS

16.1 The DMSAS shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the Adoption Date, provided always that the DMSAS may continue beyond the above stipulated period with the approval of the Company's Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

16.2 The DMSAS may be terminated at any time by the Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the DMSAS is so terminated, no further Awards shall be vested thereunder.

16.3 The termination of the DMSAS shall not affect Awards which have been vested, whether such Shares have been delivered or not.

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17. Taxes

17.1 All taxes (including income tax) arising from the grant and/or disposal of Shares pursuant to the Awards granted to any Selected Person under the DMSAS shall be borne by that Selected Person.

18. Costs and expenses

18.1 Each Selected Person shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Awards in CDP's name, the deposit of share certificate(s) with CDP, the Selected Person's securities account with CDP, or the Selected Person's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the DMSAS to be payable by the Selected Persons, all fees, costs and expenses incurred by the Company in relation to the DMSAS including but not limited to the fees, costs and expenses relating to the allotment, issue, transfer and/or delivery of Shares pursuant to the Awards shall be borne by the Company.

19. Disclaimer of liability

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the new Shares on the SGX-ST in accordance with Rule 10.2.

20. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

21. Condition of Awards

Every Award shall be subject to the condition that no Shares would be issued pursuant to the vesting of any Award if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

22. Governing law

The DMSAS shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Selected Persons, by accepting Awards in accordance with the DMSAS, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

1. Name of the Scheme

The scheme shall be called the “Dyna-Mac Share Option Scheme”.

2. Definitions

2.1 In this DMSOS, except where the context otherwise requires, the following words and expressions shall have the following meanings:-

“Acceptance Period”	The period within which an Option may be accepted, as described in Rule 7.1
“Act”	The Companies Act, Chapter 50 of the laws of Singapore as amended, modified or supplemented from time to time
“Adoption Date”	The date on which the DMSOS is adopted by the Shareholders at a general meeting
“Aggregate Subscription Cost”	The total amount payable for the Shares to be subscribed for on the exercise of an Option
“Associate”	Shall have the same meaning as defined in the Listing Manual or any other publication prescribing rules or regulations for corporations admitted to the Official List of the SGX-ST, as amended, modified or supplemented from time to time
“Associated Company”	Means a company in which at least 20% but not more than 50% of its shares are held by the Company and/or its subsidiaries, or a subsidiary of such company, and over whose management the Company has control over
“Auditors”	The auditors for the time being of the Company
“Board”	The board of directors for the time being of the Company
“CDP”	The Central Depository (Pte) Limited
“CPF”	Central Provident Fund
“Committee”	Means the Remuneration Committee of the Company, or such other committee comprising Directors of the Company duly authorised and appointed by the Board to administer the DMSOS
“Company”	Dyna-Mac Holdings Ltd.
“Controlling Shareholder”	Shall have the same meaning as defined in the Listing Manual
“DMSOS”	The Dyna-Mac Share Option Scheme, as amended, modified or supplemented from time to time
“Group”	Means the Company, its Subsidiaries and its Associated Companies

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“Group Employee”	Means a full-time employee of the Group (including any Group Executive Director) who is selected by the Committee to participate in the DMSOS in accordance with Rule 4.1
“Group Executive Director”	Means a director of any of the Company, its Subsidiaries and/or its Associated Companies, as the case may be, who performs an executive function
“Group NED”	Means a director of any of the Company, its Subsidiaries and/or its Associated Companies (including an Independent Director), as the case may be, other than a Group Executive Director
“Incentive Option”	The right to subscribe for Shares granted or to be granted pursuant to the DMSOS and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 8.1(b)
“Independent Directors”	means an independent Director of any of the Company, its Subsidiaries and/or its Associated Companies, as the case may be
“Listing Manual”	The Listing Manual of the SGX-ST
“Market Day”	A day on which the SGX-ST is open for trading in securities
“Market Price Option”	The right to subscribe for Shares granted or to be granted pursuant to the DMSOS and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 8.1(a)
“Offer Date”	The date on which an Option is granted pursuant to Rule 6.1
“Option”	A Market Price Option or an Incentive Option, as the case may be
“Option Period”	The period for the exercise of an Option as set out in Rule 9.1
“Rules”	The rules of the DMSOS, as the same may be amended, modified or supplemented from time to time
“Selected Person”	Means a person who is selected by the Committee to participate in the DMSOS in accordance with the provisions of the DMSOS
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	Means the registered holders of the Shares or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register
“Shares”	Means the ordinary shares in the capital of the Company

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| “Subscription Price” | The price at which a Selected Person shall subscribe for each Share upon the exercise of an Option as determined in accordance with Rule 8.1(a) in relation to a Market Price Option or Rule 8.1(b) in relation to an Incentive Option, as adjusted in accordance with Rule 12 |
| “Subsidiary” | Shall have the same meaning in relation to the Company as defined in the Act |
| “Substantial Shareholder” | A person who has an interest or interests in shares, the nominal amount of which is not less than 5% of the aggregate of the nominal amount of all the voting shares of our Company |
| “Singapore Dollars” or “\$” and “cents” | Singapore dollars and cents, respectively |
| “%” | Per centum or percentage |
- 2.2 The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act.
- 2.3 Any reference in the DMSOS to any enactment is a reference to that enactment as for the time being amended, modified, supplemented or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.
- 2.4 Words importing the singular number shall include the plural number where the context so admits and vice versa. Words importing the masculine gender shall include the feminine and neuter genders where the context so admits.
- 2.5 Any reference to a time of day shall be a reference to Singapore time.
3. Objectives
- 3.1 The DMSOS is a share incentive scheme. The purpose of the DMSOS is to provide an opportunity for directors and employees of the Group to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of the Company and the Group. The DMSOS is proposed on the basis that it is important to acknowledge the contribution made by these directors and employees. The Company, by adopting the DMSOS, will give Selected Persons a stake in the Company with a view to achieving the following objectives:-
- (a) the motivation of Selected Persons to optimise performance standards and efficiency and to maintain a high level of contribution;
 - (b) the retention of key employees whose contributions are important to the long-term growth and profitability of the Group;
 - (c) the attraction of potential employees capable of adding value to the Company;
 - (d) the aligning of the interests of Selected Persons with the interests of Shareholders; and
 - (e) to instil loyalty to and a stronger sense of identification with the long-term prosperity of the Group.

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

4. Selected Persons

4.1 The following persons are eligible to participate in the DMSOS at the absolute discretion of the Committee:-

- (a) confirmed full-time employees of the Group who have attained the age of 21 years on or before the Offer Date;
- (b) directors of the Company and its subsidiaries who perform an executive function; and
- (c) non-executive directors of the Company and its subsidiaries.

4.2 Group Employees, Group Executive Directors and Group NED who are also Controlling Shareholders or Associates of a Controlling Shareholder are also eligible to participate in the DMSOS provided that the terms of each grant and the actual number of Options granted under the DMSOS to a Selected Person who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by the independent Shareholders in a separate resolution.

4.3 The participation of the Controlling Shareholders or Associates of a Controlling Shareholder is subject to the following:-

- (a) the aggregate of the number of Shares comprised in Options granted to Controlling Shareholders or an Associate of such Controlling Shareholders under the DMSOS shall not exceed 25% of the aggregate of the total number of Shares (comprised in Options) which may be granted under the DMSOS; and
- (b) the aggregate of the number of Shares in respect of Options granted to each Controlling Shareholder or an Associate of such Controlling Shareholder shall not exceed 10% of the total number of Shares (comprised in Options) which may be granted under the DMSOS.

4.4 For the purposes of paragraph 4.1 (a) above, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.

4.5 There shall be no restriction on the eligibility of any Selected Person to participate in any other share option or share incentive schemes implemented by the Company or any other company within the Group.

4.6 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the DMSOS may be amended, modified or supplemented from time to time at the absolute discretion of the Committee.

5. Limitations on the Size of the DMSOS

5.1 The aggregate number of Shares over which Options may be granted, when added to the number of Shares issued and issuable in respect of all Options granted under the DMSOS, shall not exceed 15% of the issued share capital of the Company (excluding treasury shares) on the date preceding the Offer Date of an Option.

5.2 The number of Shares in respect of which Options may be offered to any Group Employee for subscription in accordance with the DMSOS shall be determined at the absolute discretion of the Committee which shall take into account (where applicable) criteria such as rank, responsibilities, past performance, years of service, contributions to the Group and potential for future development of that Group Employee.

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6. Offer Date

- 6.1 The Committee may, subject to Rule 4, Rule 5 and Rule 12, grant Options at any time during the period when the DMSOS is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, Options may only be granted on or after the second Market Day from the date on which such announcement is released.
- 6.2 The Letter of Offer to grant the Option shall be in, or substantially in, the form set out in Schedule A, subject to such modifications as the Committee may from time to time determine.

7. Acceptance of Options

- 7.1 The grant of an Option under this Rule 7 shall be accepted within thirty (30) days from the Offer Date of that Option, and in any event, not later than 5.00 pm on the 30th day from such Offer Date by completing, signing and returning the Acceptance Form in, or substantially in, the form set out in Schedule B, subject to such modification as the Committee may from time to time determine, accompanied by payment of \$1.00 as consideration. The Option is deemed not accepted until actual receipt by the Company of the Acceptance Form.
- 7.2 The Company shall be entitled at its absolute discretion to reject any purported acceptance of the grant of an Option made pursuant to this Rule 7 which does not strictly comply with the terms and conditions of the DMSOS.
- 7.3 An Option shall be personal to the Selected Person to whom it is granted and shall not be transferred (other than to a Selected Person's personal representative on the death of that Selected Person), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior written approval of the Committee.
- 7.4 In the event that the grant of an Option results in a contravention of any applicable law, subsidiary legislation or other regulation, such grant shall be null, void and of no effect and the relevant Selected Person shall have no claim whatsoever against the Company.
- 7.5 Unless the Committee determines otherwise, the grant of an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:-
- (a) it is not accepted in the manner as provided in Rule 7.1 within the Acceptance Period; or
 - (b) the Selected Person dies prior to his acceptance of the Option; or
 - (c) the Selected Person is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or
 - (d) the Selected Person ceases to be in the employment of the Group or ceases to be a director of the Company or its Subsidiaries, in each case, for any reason whatsoever, prior to his acceptance of the Option; or
 - (e) the Company is liquidated or wound up prior to the Selected Person's acceptance of the Option.

8. Subscription Price

- 8.1 Subject to any adjustment pursuant to Rule 12, the Subscription Price for each Share in respect of which an Option is exercisable shall be fixed by the Committee at:-
- (a) a price (the "Market Price") equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for the three (3) consecutive Market Days immediately preceding the Offer Date of that Option, rounded up to the nearest whole cent; or

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- (b) a price which is set at a discount to the Market Price, provided that:-
- (aa) the maximum discount shall not exceed 20% of the Market Price; and shall have been approved by Shareholders in a separate resolution; and
 - (bb) the prior approval of the Shareholders of the Company in general meeting shall have been obtained for the making of offers and grants of Options under the DMSOS at a discount not exceeding the maximum discount as aforesaid in a separate resolution.
- 8.2 The Committee has the discretion to grant Options at the Subscription Price which is set at a discount to the Market Price. The Committee shall be at liberty to take into consideration factors including length of service, seniority, job performance and potential contribution to our growth and profitability as well as prevailing market conditions.
9. Exercise of Options
- 9.1 Subject as provided in this Rule 9 and Rule 10 and any other conditions as may be introduced by the Committee from time to time, each Option shall be exercisable, in whole or in part, as follows:-
- (a) in the case of a Market Price Option, during the period commencing after the first anniversary of the Offer Date and expiring on the tenth anniversary of such Offer Date; and
 - (b) in the case of an Incentive Option, during the period commencing after the second anniversary of the Offer Date and expiring on the tenth anniversary of such Offer Date, save that the Option Period for any Option granted to a Selected Person who is a non-executive director (including Independent Director) of the Company or its Subsidiaries shall expire on the fifth anniversary of the Offer Date.
- 9.2 In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the DMSOS until such time as it shall lapse in accordance with the DMSOS.
- 9.3 An Option shall, to the extent unexercised, immediately lapse without any claim whatsoever against the Company:-
- (a) subject to Rules 9.4 and 9.5, upon the Selected Person ceasing to be in the full-time employment of the Group, or in the case of a Selected Person who is a non-executive director of a company within the Group, ceasing to be a director of such company, for any reason whatsoever;
 - (b) upon the bankruptcy of the Selected Person or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option;
 - (c) in the event of any misconduct on the part of the Selected Person as determined by the Committee in its sole and absolute discretion or any breach of any regulation of the Group, such breach being regarded as serious by the Committee in its absolute discretion; or
 - (d) upon the company by which the Selected Person is employed ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group.

For the purpose of Rule 9.3(a), the Selected Person shall be deemed to have ceased to be so employed as of the date of the notice of termination or resignation, as the case may be, unless such notice shall be withdrawn prior to its effective date.

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9.4 If a Selected Person ceases to be employed by the Group by reason of his:-

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age; or
- (d) retirement before the legal retirement age with the consent of the Committee,

or any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period, and upon the expiry of such period, the Option shall immediately lapse and become null and void.

9.5 If a Selected Person dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Selected Person within the relevant Option Period, and upon the expiry of such period, the Option shall immediately lapse and become null and void.

10. Take-over and winding up

10.1 Notwithstanding Rule 9 but subject to Rule 10.5, in the event of a take-over being made for the Shares, a Selected Person shall be entitled to exercise any Option held by him and as yet unexercised, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-

- (a) the expiry of six (6) months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Option Period relating thereto); or
- (b) the date of expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall lapse and become null and void.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Selected Persons that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Selected Person until the expiry of such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 9, remain exercisable until the expiry of the Option Period relating thereto.

10.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Selected Person shall be entitled, notwithstanding Rule 9 but subject to Rule 10.5, to exercise any Option then held by him, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon the Option shall lapse and become null and void.

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

- 10.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 10.4 In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Selected Persons (together with a notice of the existence of the provision of this Rule 10.4) and thereupon, each Selected Person (or his legal personal representative) shall be entitled to exercise all or any of his Options at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the Aggregate Subscription Cost whereupon the Company shall as soon as possible and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Selected Person credited as fully paid.
- 10.5 If in connection with the making of a general offer referred to in Rule 10.1 or a scheme referred to in Rule 10.2 or a winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Selected Persons, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Selected Person holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 10.
- 10.6 To the extent that an Option is not exercised within the periods referred to in this Rule 10, it shall lapse and become null and void.
11. Manner of Exercise
- 11.1 Subject to Rule 9.1, an Option may be exercised, in whole or in part, by a Selected Person giving notice in writing to the Company in, or substantially in, the form set out in Schedule B, subject to such modification as the Committee may from time to time determine. Such notice must be accompanied by payment in cash for the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, the relevant documentation required by the Committee and the Aggregate Subscription Cost.
- 11.2 All payments shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.
- 11.3 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to compliance with the terms of the DMSOS and the Memorandum and Articles of Association of the Company, the Company shall, within ten (10) Market Days after the exercise of an Option, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.
- 11.4 The Company shall, as soon as practicable after such allotment, apply to the SGX-ST (and any other stock exchange on which the Shares are quoted or listed) for permission to deal in and for quotation of such Shares, if necessary.
- 11.5 Shares which are allotted on the exercise of an Option by a Selected Person shall be issued in the name of CDP to the credit of the securities account of that Selected Person maintained with CDP, the securities sub-account of that Selected Person maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

11.6 Shares allotted and issued on the exercise of an Option shall be subject to all the provisions of the Act and the Memorandum and Articles of Association of the Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or after the relevant exercise date of the Option, and shall in all other respects rank pari passu with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

12. Variation of Capital

12.1 If a variation in the issued ordinary share capital of the Company (whether by way of rights issue, capitalisation of profits or reserves, reduction of capital, subdivision, consolidation or distribution of Shares or otherwise) shall take place:-

- (a) the Subscription Price for the Shares, the class and/or number of Shares comprised in an Option to the extent unexercised;
- (b) the class and/or number of Shares over which additional Options may be granted under the DMSOS,

shall be adjusted in such manner as the Committee may deem to be appropriate.

12.2 Unless the Committee considers an adjustment to be appropriate:-

- (a) the issue of securities as consideration for an acquisition or a private placement of securities; or
- (b) the increase in the number of issued Shares as a consequence of the exercise of options or other convertibles entitling holders of such options or convertibles to acquire Shares in the capital of the Company;
- (c) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force; and
- (d) the increase in the issued share capital of the Company as a consequence of the delivery of new Shares pursuant to the exercising of Options from time to time by the Company or through any other share-based incentive schemes implemented by the Company,

shall not normally be regarded as a circumstance requiring adjustment.

12.3 Notwithstanding the provisions of Rule 12.1:-

- (a) any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable; and
- (b) no adjustment shall be made in such a way that any Selected Person receives a benefit that a Shareholder does not receive.

12.4 Upon any adjustment required to be made pursuant to this Rule 12, the Company shall notify the Selected Person (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the Subscription Price thereafter in effect and the class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

13. Administration

- 13.1 The DMSOS shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.
- 13.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the DMSOS) for the implementation and administration of the DMSOS as they think fit. Any matter pertaining to the DMSOS and any dispute and uncertainty as to the interpretation of the DMSOS, any rule, regulation or procedure thereunder or any rights under the DMSOS shall be determined by the Committee.
- 13.3 Neither the DMSOS nor the grant of Options under the DMSOS shall impose on the Company or the Committee any liability whatsoever in connection with:-
- (a) the lapsing or early expiry of any Options pursuant to any provision of the DMSOS;
 - (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the DMSOS; and/or
 - (c) any decision or determination of the Committee made pursuant to any provision of the DMSOS.
- 13.4 Any decision or determination of the Committee made pursuant to any provision of the DMSOS (other than a matter to be certified by the Auditors) shall be final, binding and conclusive.

14. Notices and Annual Report

- 14.1 Any notice required to be given by a Selected Person to the Company shall be sent or made to the registered office of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.
- 14.2 Any notices or documents required to be given to a Selected Person or any correspondence to be made between the Company and the Selected Person shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Selected Person.
- 14.3 Any notice or other communication from a Selected Person to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Selected Person shall be deemed to be received by that Selected Person, when left at the address specified in Rule 14.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.
- 14.4 The Company shall disclose the following (as applicable) in its annual report for so long as the DMSOS continues in operation:-
- (a) the names of the members of the Committee administering the scheme; and
 - (b) the information required in the table below for the following Selected Persons:-
 - (aa) directors of the Company; and
 - (bb) Selected Persons who are Controlling Shareholders of the Company and his Associates;

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

- (cc) Selected Persons, other than those in Rule 14.4 (b) (aa) and (bb) above, who receive 5% or more of the total number of Shares available under the DMSOS.

Name of Selected Person	Number of Shares comprised in Options granted during financial year under review (including terms)	Aggregate number of Shares comprised in Options granted since commencement of DMSOS to end of financial year under review	Aggregate number of Shares comprised in Options exercised since commencement of DMSOS to end of financial year under review	Number of Shares comprised in Options outstanding as at end of financial year under review

- (c) In respect of Incentive Options, the following disclosure shall be made:-
- (aa) the number of Incentive Options granted at a discount of 10% or less and proportion to Market Price Options during the financial year under review; and
- (bb) the number of Incentive Options granted at a discount of more than 10% and proportion to Market Price Options during the financial year under review.

If any of the above requirements is not applicable, an appropriate negative statement shall be included therein.

15. Modifications to the DMSOS

15.1 Any or all the provisions of the DMSOS may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:-

- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Selected Persons who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in the number of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options;
- (b) any modification or alteration of the provisions of DMSOS relating to the matters contained in Rules 844 to 849, and Rules 853 to 854 of the Listing Manual which would be to the advantage of Selected Persons under the DMSOS shall be subject to the prior approval of the Shareholders in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of such regulatory authorities as may be necessary, and any modification or alteration shall comply with the listing rules of SGX-ST.

15.2 Notwithstanding anything to the contrary contained in Rule 15.1, the Committee may at any time by resolution (and without other formality) amend or alter the DMSOS in any way to the extent necessary to cause the DMSOS to comply with any statutory provision or the provisions or regulations of any regulatory or other relevant authority or body (including the SGX-ST).

15.3 Written notice of any modification or alteration made in accordance with this Rule 15 shall be given to all Selected Persons.

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

16. Terms of employment unaffected

The terms of employment of a Selected Person shall not be affected by his participation in the DMSOS, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

17. Duration of the DMSOS

17.1 The DMSOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten years commencing on the Adoption Date, provided always that the DMSOS may continue beyond the above stipulated period with the approval of the Shareholders by way of an ordinary resolution passed at a general meeting and of any relevant authorities which may then be required.

17.2 The DMSOS may be terminated at any time by the Committee or, at the discretion of the Committee, by an ordinary resolution passed by the Shareholders at a general meeting, subject to all relevant approvals which may be required and if the DMSOS is so terminated, no further Options shall be offered by the Company hereunder.

17.3 The termination, discontinuance or expiry of the DMSOS shall not affect Options which have been granted and accepted as provided in Rule 7.1, whether such Options have been exercised (whether fully or partially) or not.

18. Taxes

All taxes (including income tax) arising from the exercise of any Option granted to any Selected Person under the DMSOS shall be borne by that Selected Person.

19. Costs and expenses

19.1 Each Selected Person shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Selected Person's securities account with CDP, or the Selected Person's securities sub-account with a Depository Agent or CPF investment account with a CPF agent bank.

19.2 Save for the taxes referred to in Rule 18 and such other costs and expenses expressly provided in the DMSOS to be payable by the Selected Persons, all fees, costs and expenses incurred by the Company in relation to the DMSOS including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

20. Disclaimer of liability

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 11.4 (and any other stock exchange on which the Shares are quoted or listed).

21. Abstention from voting

Shareholders who are eligible to participate in the DMSOS shall abstain from voting on any resolution relating to the DMSOS.

22. Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

23. Condition of Option

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction.

24. Governing law

The DMSOS shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Selected Persons, by accepting Options in accordance with the DMSOS, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

Schedule A

DYNA-MAC SHARE OPTION SCHEME

LETTER OF OFFER

Serial No: _____

Date: _____

To: [Name]
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam,

We have the pleasure of informing you that you have been nominated to participate in the Dyna-Mac Share Option Scheme (the "DMSOS") by the Committee appointed by the Board of Directors of Dyna-Mac Holdings Ltd. (the "Company") to administer the DMSOS. Terms as defined in the DMSOS shall have the same meaning when used in this letter.

Accordingly, in consideration of the payment of a sum of \$1.00, an offer is hereby made to grant you an Option to subscribe for and be allotted _____ Shares at the price of \$ _____ for each Share.

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.

The Option shall be subject to the terms and conditions of this Letter of Offer and the DMSOS (as the same may be amended, modified or supplemented from time to time pursuant to the terms and conditions of the DMSOS), a copy of which is enclosed herewith.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of \$1.00 not later than 5.00 p.m. on _____, failing which this offer will forthwith lapse.

Yours faithfully
For and on behalf of
Dyna-Mac Holdings Ltd.

Name:
Designation:

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

Schedule B

DYNA-MAC SHARE OPTION SCHEME

ACCEPTANCE FORM

Serial No: _____

Date: _____

To: The Committee
The Dyna-Mac Share Option Scheme
Dyna-Mac Holdings Ltd.
45 Gul Road,
Singapore 629350

Closing Date for Acceptance of Offer : _____

Number of Shares Offered : _____

Subscription Price for each Share : \$ _____

Total Amount Payable : \$ _____
(exclusive of the relevant CDP charges)

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and the DMSOS referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for _____ Shares at \$ _____ for each Share and enclose cash for \$1.00 in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP (if applicable) relating to or in connection with the issue and allotment of any Shares in CDP's name, the deposit of share certificate(s) with CDP, my securities account with CDP, or my securities sub-account with a CDP Depository Agent (as the case may be) (collectively, the "CDP charges").

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of the Shares or options to subscribe for such Shares.

I agree to keep all information pertaining to the grant of the Option to me strictly confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitutes the entire agreement between us relating to the offer.

APPENDIX G – RULES OF THE DYNA-MAC SHARE OPTION SCHEME

PLEASE PRINT IN BLOCK LETTERS

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

** Delete accordingly*

APPENDIX H – GOVERNMENT REGULATIONS

Save as disclosed below, as at the Latest Practicable Date, our business operations in Singapore and Malaysia are not subject to any special legislations or regulatory controls other than those generally applicable to companies (including foreign investment companies) and businesses incorporated and / or operating in Singapore and Malaysia. We have thus far not experienced any adverse effect on our business in complying with these regulations. Our businesses and operations in Singapore and Malaysia have complied with all applicable laws and regulations generally applicable to companies and businesses operating in the respective countries of incorporation. Save as disclosed under the section entitled “Risk Factors” of this Prospectus, our Directors believe that we are not in breach of any laws or regulations applicable to our business operations.

SINGAPORE

The following is a description of the material licenses required for the operations of our Group in Singapore (apart from those pertaining to general business requirements):-

Singapore

TYPE OF LICENCE/ APPROVAL	LICENSING BODY	DESCRIPTION	
Certificate of Registration of a Factory	Ministry of Manpower	Our premises at the following addresses are registered under the provisions of the Workplace Safety and Health (Registration of Factories) Regulations in relation to fabrication and engineering works, installation, shipbuilding, ship-repairing, assembly of top-side modules and structural and marine related activities:-	
		<u>Address</u>	
		33 Gul Road Singapore 629359 Factory No. F46895C-001	
		45 Gul Road Singapore 629350 Factory No. S41355L-001	
		59 Gul Road Singapore 629354 Factory No. S41352X-001	
Electrical Installation Licence	Energy Market Authority	13 Pandan Crescent Singapore 128469 Factory No. S41394V-001	
		DM Engineering Singapore is permitted to use or operate electrical installations at our premises at the following addresses:-	
		<u>Address</u> <u>Date of expiry</u>	
		31 Gul Road Singapore 629358	16 April 2011
		33 and 45 Gul Road Singapore 629359	15 January 2012

APPENDIX H – GOVERNMENT REGULATIONS

		<u>Address</u>	<u>Date of expiry</u>
		59 Gul Road Singapore 629354	15 May 2011
		37 Tech Park Crescent Singapore 637851	5 June 2011
		39 Tech Park Crescent Singapore 637852	5 June 2011
		19 Joo Koon Crescent Singapore 629017	25 May 2011
		13 Pandan Crescent Singapore 128469	14 April 2011
FOODSHOP (108)	National Environment Agency	<u>Purpose</u>	<u>Date of expiry</u>
		For DM Engineering Singapore to operate a foodshop at 59 Gul Road Singapore 629354	5 February 2012
Certificate of compliance with the fire safety requirements	Singapore Civil Defence Force	<u>Purpose</u>	<u>Date of expiry</u>
		To certify that the project comprising the proposed erection of 4 blocks of 1-storey factory building and other ancillary buildings at 33 Gul Road Singapore 629359 is in full compliance with the fire safety requirements	No date of expiry
Localised Private Network Licence	Info-communication Development Authority of Singapore	<u>Purpose</u>	<u>Date of expiry</u>
		Permits DM Engineering Singapore to use the following localised private network:-	
		LN116186	31 January 2012
		LN115562	31 January 2012

APPENDIX H – GOVERNMENT REGULATIONS

MALAYSIA

Construction Industry Development Board Act 1994

DM Engineering Malaysia is currently dormant. If it intends to restart its former business activities, DM Engineering Malaysia will have to make a registration with the Construction Industry Development Board (“CIDB”) pursuant to the Construction Industry Development Board Act 1994 (the “CIDB Act”). Being a company in which a foreign entity owns more than 30% of its shareholding, DM Engineering Malaysia cannot apply for general registrations with the CIDB. It will have to apply for registrations as a foreign contractor as and when it has projects/contracts in Malaysia. Registration as a foreign contractor will be specific to and for the purposes of the project/contract concerned only. As such, before DM Engineering Malaysia participates in tenders for a particular construction work or project in Malaysia whether by invitation by the prospective client or through advertisements, they can and should apply to CIDB for a provisional registration via submission of a Form CIDB R2/95 so as to avoid problems of registration when they are granted the project/contract. Once they are awarded the construction contracts, DM Engineering Malaysia can pursuant to such provisional registration apply for and confirm the registration as a foreign contractor via submission of form CIDB R3/95 in respect of and specific to the contract/project concerned.

APPENDIX I – TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply for and/or purchase the Invitation Shares, subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of printed WHITE Offer Shares Application Form or by way of Electronic Application through an ATM belonging to the Participating Banks (“ATM Electronic Application”) or through Internet Banking (“IB”) websites of the relevant Participating Banks (“Internet Electronic Applications”, which together with ATM Electronic Applications, shall be referred to as “Electronic Applications”).

Your application for the Placement Shares may only be made by way of printed BLUE Placement Shares Application Forms.

YOU MAY NOT USE CENTRAL PROVIDENT FUND (“CPF”) FUNDS TO APPLY FOR THE INVITATION SHARES.

3. **You are allowed to submit only one application in your own name for the Offer Shares or the Placement Shares. If you submit an application for Offer Shares by way of an Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and shall be rejected, except in the case of applications by approved nominee companies, where each application is made on behalf of a different beneficiary.**

If you submit an application for Offer Shares by way of an ATM Electronic Application, you MAY NOT submit another application for Offer Shares by way of an Internet Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and shall be rejected.

If you, being other than an approved nominee company, have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and shall be rejected.

You are allowed to submit only one application in your own name for the Placement Shares. Any separate application by you for the Placement Shares are be deemed to be multiple applications and the Company and the Vendor has the discretion whether to accept or reject such multiple applications.

If you, being other than an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of the Company and the Vendor.

If you have made an application for Placement Shares, and you have also made a separate application for Offer Shares, either by way of an Application Form or through an Electronic Application, the Company and the Vendor shall have the discretion to either (i) reject both of such separate applications or (ii) accept any one (but not the other) out of such separate applications.

APPENDIX I – TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

Conversely, if you have made an application for Offer Shares either by way of an Application Form or through an Electronic Application, and you have also made a separate application for Placement Shares, the Company and the Vendor shall have the discretion to either (i) reject both of such separate applications or (ii) accept any one (but not the other) out of such separate applications.

Joint applications shall be rejected. Multiple applications for Invitation Shares may be rejected at the discretion of our Company and the Vendor. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company and the Vendor.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.
5. We will not recognise the existence of a trust. An application by a trustee or trustees must therefore be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.
6. **WE WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation and other correspondence from CDP will be sent to your address last registered with CDP.**

APPENDIX I – TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

9. **Our Company and the Vendor reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance. Our Company and the Vendor further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
10. Our Company and the Vendor reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendor will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment and/or allocation, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of Applicants with a view to establishing an adequate market for our Shares.
11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company or the Vendor. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event of an under-subscription for and/or purchase of the Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed and/or purchased shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for and/or purchase of Placement Shares as at the close of the Application List.
- In the event of an under-subscription for and/or purchase of Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed for and/or purchased shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for and/or purchase of Offer Shares as at the close of the Application List.
- In the event of an over-subscription for and/or purchase of Offer Shares as at the close of the Application List and the Placement Shares are fully subscribed or over-subscribed for and/or purchased as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Directors after consultation with our Issue Manager, and approved by the SGX-ST (if required).
- In all the above instances, the basis of allotment and/or allocation of the Offer Shares as may be decided by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a local newspaper.
13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to authorised operators, e.g. CDP, our Company, the Issue Manager and the Joint Underwriters and Joint Placement Agents and any other parties so authorised by the foregoing persons.

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14. Any reference to “you” or the “Applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Offer Shares Application Form or by way of an Electronic Application, or applying for the Placement Shares by way of a Placement Shares Application Form.
15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:-
 - (a) irrevocably offer, agree and undertake to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in this Prospectus and the Memorandum and Articles of Association of our Company;
 - (b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
 - (c) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to our Company and the Vendor upon application;
 - (d) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendor in determining whether to accept your application and/or whether to allot and/or allocate any Invitation Shares to you; and
 - (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendor, the Issue Manager and the Joint Underwriters and/or the Joint Placement Agents will infringe any such laws as a result of the acceptance of your application.
16. Our acceptance of applications will be conditional upon, *inter alia*, our Company being satisfied that:-
 - (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares (including Vendor Shares), the New Shares and the Over-allotment Shares on the Official List of SGX-ST;
 - (b) no stop order has been issued by the Authority under the Securities and Futures Act; and
 - (c) the Management and Underwriting Agreement and the Placement Agreement referred to in the section entitled “Management, Underwriting and the Placement Arrangements” of this Prospectus have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine.
17. We will not hold any applications in reserve.
18. We will not allot and/or allocate Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

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19. Additional terms and conditions for applications using Application Forms are set out below.
20. Additional terms and conditions for applications using Electronic Applications are set out below.
21. CDP shall not be liable for any delays, failures or inaccuracies in the recording storage or in the transmission or delivery of data relating to Electronic Applications.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on “TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE” of this Prospectus, as well as the Memorandum and Articles of Association of our Company.

1. Your application must be made using the **WHITE** Application Form and **WHITE** envelopes “A” and “B” for Offer Shares, or the **BLUE** Application Form for Placement Shares accompanying and forming part of this Prospectus. We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendor reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper forms of remittances.**
2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “**FOR OFFICIAL USE ONLY**” must be completed and the words “**NOT APPLICABLE**” or “**N.A.**” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full names as it appears in your identity card (if you have such an identification document) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs on the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company’s Share Registrar and Share Transfer office. Our Company and the Vendor reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (a) You must complete Sections A and B and sign page 1 of the Application Form.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

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6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a **BANKER'S DRAFT or CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**DYNA-MAC SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", and with your name and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by **ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED**. We will reject remittances bearing "**NOT TRANSFERABLE**" or "**NON TRANSFERABLE**" crossings. No acknowledgement or receipt will be issued by our Company and the Vendor or the Issue Manager for applications and application monies received.
8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List, provided that the remittance accompanying such applications have been presented for payment or other processes have been honoured and the application monies have been received in the designated share issue account. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form, you agree that:-
 - (a) in consideration of our Company and the Vendor having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 28 February 2011** or such other time or date as our Company and the Vendor may, in consultation with the Issue Manager, decide and by completing and delivering the Application Form:-
 - (i) your application is irrevocable; and
 - (ii) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;

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- (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
- (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company and the Vendor;
- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
- (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Vendor, the Issue Manager, the Joint Underwriters and Joint Placement Agents or any other person involved in the Invitation shall have any liability for any information not so contained;
- (f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, the share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Issue Manager, the Joint Underwriters and Joint Placement Agents or other authorised operators; and
- (g) you irrevocably offer, agree and undertake to purchase and/or subscribe for the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allotted and/or allocated to you in respect of your application. In the event that we decide to allot and/or allocate a smaller number of Invitation Shares or not to allot any Invitation Shares to you, you agree to accept such decision as final.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Form and **WHITE** envelopes “A” and “B”. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:-
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope “A” provided;
 - (b) in the appropriate spaces on **WHITE** envelope “A”:-
 - (i) write your name and address;
 - (ii) state the number of Offer Shares applied for;
 - (iii) tick the relevant box to indicate the form of payment; and
 - (iv) affix adequate Singapore postage;
 - (c) Seal **WHITE** envelope “A”;
 - (d) write, in the special box provided on the larger **WHITE** envelope “B” addressed to M & C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office Singapore 068906, the number of Offer Shares you have applied for; and

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- (e) insert **WHITE** envelope “A” into **WHITE** envelope “B”, seal **WHITE** envelope “B”, and affix adequate Singapore postage on **WHITE** envelope “B” (if dispatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to M & C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office Singapore 068906, to arrive by 12.00 noon on 28 February 2011 or such other time as our Company and the Vendor may, in consultation with the Issue Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form or remittance or which are not honoured upon their first presentation are liable to be rejected.
4. **ONLY ONE APPLICATION** should be enclosed in each envelope.

Applications for Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Form. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed **BLUE** Placement Shares Application Form and the correct remittance (in accordance with the terms and conditions of this Prospectus) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if dispatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to M & C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office Singapore 068906, to arrive by 12.00 noon on 28 February 2011 or such other time as our Company and the Vendor may, in consultation with the Issue Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks.

Currently, DBS Bank and UOB Group are the only Participating Banks through which Internet Electronic Applications can be made.

For illustrative purposes, the procedures for Electronic Application through ATMs of DBS Bank and the IB website of DBS Bank are set out respectively in the “Steps for an ATM Electronic Application through the ATM of DBS Bank” and the “Steps for an Internet Electronic Application through the IB Website of DBS Bank” (collectively, the “**Steps**”) appearing below. The Steps set out the actions that you must take at an ATM or the IB website of DBS Bank to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” or the “applicant” in this section “Additional Terms and Conditions for Electronic Applications” and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

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You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at an ATM. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification (“**User ID**”) and a Personal Identification Number/Password (“**PIN**”) given by a relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of DBS Bank to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“**Transaction Record**”), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application, there will be an on-screen confirmation (“**Confirmation Screen**”) of the application which can be printed out for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card issued in your own name or if you do not key in your own Securities Account number your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected. In connection with this, you will be asked to declare that you are in Singapore at the time when you make the application.

You shall make an Electronic Application on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out in “**TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**” in Appendix I of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating the Electronic Application:-
 - (a) **that you have received a copy of this Prospectus (in the case of ATM Electronic Applications only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares in this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**
 - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CPF Investment Account number (if applicable), CDP Securities Account number, and application details (the “Relevant Particulars”) by the relevant Participating Bank to the Share Registrar, CDP, SGX-ST, SCCS, CPF, our Company, the Issue Manager, the Joint Underwriters and the Joint Placement Agents or other authorised operators (the “Relevant Parties”); and**
 - (c) **that this is your only application for Offer Shares and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless you press the “Enter” or “Confirm” or “Yes” or “OK” key or any other relevant key on the ATM or click “Confirm” or “OK” or any other relevant button on the IB website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1 (b) above, such confirmation, shall signify and shall be

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treated as your written permission, given in accordance with the relevant laws of Singapore including section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS A BENEFICIAL OWNER.**

YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES, WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND VICE VERSA.

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or the IB website through which your Electronic Application is being made shall be rejected.**
4. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application.

In the event that our Company decides to allot and/or allocate any lesser number of such Offer Shares and/or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “Confirm” or “Yes” key or any other relevant key on the ATM or clicking “Confirm” or “OK” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours after balloting provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List, provided that the remittance in respect of such application which has been presented for payment or other processes have been honoured and the application monies have been received in the designated share issue account.

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Responsibility for timely refund of application monies arising from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you before trading of the Shares on SGX-ST. You may also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-Pin (issued by CDP upon application for the service) and keying in the stock code (that will be made available together with the results of the allotment and/or allocation via announcement through SGX-ST and by advertisement in a local English newspaper). To sign up for the service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Vendor, the Issue Manager, the Joint Underwriters nor the Joint Placement Agents assumes any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is made through an ATM of one of the Participating Banks and is unsuccessful, no notification will be sent by such Participating Bank.

If your Internet Electronic Applications made through the IB website of DBS Bank or UOB is unsuccessful, no notification will be sent by such Participating Bank.

If your Electronic Application is made through an ATM or IB website of one of the following Participating Banks, you may check the provisional results of your Electronic Application as follows:-

Bank	Telephone	Available at	Operating Hours	Service Expected From
DBS Bank	1800 339 6666 (POSB account holders) 1800 111 1111 (DBS Bank account holders)	Internet Banking http://www.dbs.com ⁽¹⁾	24 hours a day	Evening of the balloting day
OCBC Bank	1800 363 3333	Phone Banking / ATM/ Internet banking http://www.ocbc.com ⁽²⁾	24 hours a day	Evening of the balloting day
UOB Group	1800 222 2121	ATM (Other Transactions – “IPO Enquiry”) http://www.uobgroup.com ^{(1), (3)}	24 hours a day	Evening of the balloting day

Notes:-

- (1) If you have made your Internet Electronic Application through the IB websites of DBS Bank or UOB Group, you may check the results through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of DBS Bank or UOB Group.
- (2) If you have made your Electronic Application through the ATMs of OCBC Bank, you may check the results of your application through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking services
- (3) If you have made your Electronic Application through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group’s ATMs or UOB Phone Banking services.

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7. **Electronic Applications shall close at 12.00 noon on 28 February 2011 or such other time or date as our Company and the Vendor may, in consultation with the Issue Manager, decide.** Subject to paragraph 9 below, an Internet Electronic Application is deemed to be received when it enters the designated information system of the relevant Participating Bank.
8. You are deemed to have irrevocably requested and authorised us to:-
- (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account as entered by you;
 - (b) send the relevant Share certificate(s) to CDP;
 - (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours after of balloting of applications; and
 - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 Market Days of balloting of applications.
9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and break downs, fires, acts of God and other events beyond the control of the Participating Banks and if, in any such event, our Company, the Issue Manager and/or the relevant Participating Bank does not receive your Electronic Application, or data relating to your Electronic Application is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendor, the Issue Manager, the Joint Underwriters and Joint Placement Agents and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company and the Vendor will reject any application by any person acting as nominee except those made by approved nominee companies only.
11. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:-
- (a) in consideration of us making available the Electronic Application facility, through the Participating Banks acting as our agents, at the ATMs and the IB websites (if any)
 - (i) your Electronic Application is irrevocable; and

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- (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
- (b) neither our Company, the Vendor, the Issue Manager, the Joint Underwriters and Joint Placement Agents nor the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to a breakdown or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;
- (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendor and not otherwise, notwithstanding any payment received by or on behalf of our Company and the Vendor;
- (d) you will not be entitled to exercise any remedy of rescission or misrepresentation at any time after acceptance of your application; and
- (e) in making your application, reliance is placed solely on the information contained in this Prospectus and neither our Company, the Vendor, the Issue Manager, the Joint Underwriters and the Placement Agents nor any other person involved in the Invitation shall have any liability for any information not so contained.

STEPS FOR ATM ELECTRONIC APPLICATIONS FOR THE OFFER SHARES THROUGH ATMS OF DBS BANK (INCLUDING POSB ATMS)

Instructions for ATM Electronic Applications will appear on the ATM screens of the Participating Banks. For illustration purposes, the steps for making an ATM Electronic Application through a DBS Bank ATM (including POSB ATM) are shown below. Certain words appearing on the screen are in abbreviated form (“A/c”, “amt”, “appln”, “&”, “I/C”, “SGX” and “No.” refer to “Account”, “amount”, “application”, “and”, “NRIC”, “SGX-ST” and “Number” respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank (including POSB ATMs)), may differ slightly from those represented below.

Steps

1. Insert your personal DBS Bank or POSB ATM Card
2. Enter your Personal Identification Number
3. Select “More Services”
4. Select Language (for customers using multi-language card)
5. Select “ESA-IPO Share/SGS/Investments”
6. Select “Electronic Security Appln (IPOs/Bond/ST-Notes/Securities)”
7. Read and understand the following statements which will appear on the screen:-
 - (IN THE CASE OF SECURITIES OFFERING THAT IS SUBJECT TO A PROSPECTUS REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AND IF

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APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.

- (IN THE CASE OF SECURITIES OFFERING THAT IS SUBJECT TO A PROSPECTUS REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THE PROSPECTUS/ DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS OR THEIR CONTENTS.
 - (IN THE CASE OF A SECURITIES OFFERING THAT DOES NOT REQUIRE A PROSPECTUS TO BE REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) MAY BE MADE IN A NOTICE PUBLISHED IN A NEWSPAPER AND/OR A CIRCULAR/ DOCUMENT DISTRIBUTED TO SECURITY HOLDERS. ANYONE WISHING TO ACQUIRE SUCH SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE NOTICE/CIRCULAR/DOCUMENTS BEFORE SUBMITTING HIS APPLICATION, WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE NOTICE/CIRCULAR/DOCUMENT.
 - Press the “ENTER” key to confirm that you have read and understood.
8. Select “DYNAMAC” to display details.
9. Press the “ENTER” key to acknowledge:-
- YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION AND (WHERE APPLICABLE) PROSPECTUS, DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/ DOCUMENT/ PROFILE STATEMENT, NOTICE AND/OR CIRCULAR.
 - YOU CONSENT TO DISCLOSE YOUR NAME, NRIC/PASSPORT NO., ADDRESS, NATIONALITY, CDP SECURITIES A/C NO., CPF INVESTMENT A/C NO. AND SECURITY APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE AND SHARE APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE REGISTRARS, SGX, SCCS, CDP, CPF, ISSUER/VENDORS.
 - FOR FIXED AND MAX PRICE SECURITIES APPLICATION, THIS IS YOUR ONLY APPLICATION AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.
 - THE MAXIMUM PRICE FOR EACH SHARE IS PAYABLE IN FULL ON APPLICATION AND SUBJECT TO REFUND IF THE FINAL PRICE IS LOWER.
 - FOR TENDER SECURITIES APPLICATION, THIS IS YOUR ONLY APPLICATION AT THE SELECTED TENDER PRICE AND IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.

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- YOU ARE NOT A U.S. PERSON AS REFERRED TO IN (WHERE APPLICABLE) THE PROSPECTUS, DOCUMENT, PROFILE STATEMENT, REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT, PROFILE STATEMENT, NOTICE AND/OR CIRCULAR.
 - THERE MAY BE A LIMIT ON THE MAXIMUM NUMBER OF SECURITIES THAT YOU CAN APPLY FOR SUBJECT TO AVAILABILITY, YOU MAY BE ALLOCATED A SMALLER NUMBER OF SECURITIES THAN YOU APPLIED FOR OR (IN THE CASE OF AN EARLIER CLOSURE UPON FULL SUBSCRIPTION) YOUR APPLICATION MAY BE REJECTED IF ALL THE AVAILABLE SECURITIES HAVE BEEN FULLY ALLOCATED TO EARLIER APPLICANTS.
10. Select your nationality.
 11. Select your payment method (i.e. by cash, CPF Funds, or a combination of cash and CPF Funds).
 12. Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSB account (Current/Savings) from which to debit your application monies.
 13. Enter the number of securities you wish to apply for using cash.
 14. Enter the number of securities you wish to apply for using CPF Funds (if applicable).
 15. Enter or confirm (if your CDP Securities Account number has already been stored in DBS Bank's records) your own 12-digit CDP Securities Account number (Note: This step will be omitted automatically if your Securities Account number has already been stored in DBS Bank's records).
 16. Check the details of your securities application, your NRIC or passport number, CDP Securities Account number, number of securities and application amount on the screen and press the "ENTER" key to confirm your application.
 17. Remove the Transaction Record for your reference and retention only.

Steps for Internet Electronic Application for the Offer Shares through the IB website of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website is shown below. Certain words appearing on the screen are in abbreviated form ("A/c", "amt", "&", "I/C", "SGX" and "No." refer to "Account", "amount", "and", "NRIC", "SGX-ST" and "Number" respectively).

Steps

1. Click on to DBS Bank website at <http://www.dbs.com>.
2. Login to Internet banking.
3. Enter your User ID and PIN.
4. Select "Electronic Security Application (ESA)".
5. Click "Yes" to proceed and to warrant, *inter alia*, that you are currently in Singapore, you have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore and that you are not a U.S. person (as such term is defined in Regulation S under the United Securities Act of 1933 as amended).
6. Select your country of residence and click "I confirm".
7. Click on "DYNAMAC" and click the "Submit" button.

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8. Click “I Confirm” to confirm, *inter alia*:-
 - (a) You have read, understood and agreed to all terms of application and the Prospectus/Document or Profile Statement and if applicable, the Supplementary or Replacement Prospectus/Document or Profile Statement.
 - (b) You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable) and securities application amount from your DBS/POSB Account(s) to registrars of securities, SGX, SCCS, CDP, CPF Board and issuer/vendors.
 - (c) You are not a U.S. Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).
 - (d) You understand that the securities mentioned herein have not been and will not be registered under the United States Securities Act of 1933 as amended (the “US Securities Act”) or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of any “U.S. person” (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from or in a transaction subject to, the registration requirements of the US Securities Act and applicable state securities laws. These will be no public offer of the securities mentioned herein in the United States. Any failure to comply with this restriction may constitute a violation of the United States securities laws.
 - (e) This application is made in your own name and at your own risk.
 - (f) For FIXED/MAX price securities application, this is your **only** application. For TENDER price securities application, this is your **only** application at the selected tender price.
 - (g) FOR FOREIGN CURRENCY Securities, subject to the terms of the issue, please note the following: the application monies will be debited from your bank account in S\$, based on the Bank’s prevailing board rates at the time of application. Any refund monies will be credited in S\$ based on the Bank’s prevailing board rates at the time of refund. The different prevailing board rates at the time of application and the time of refund of application monies may result in either a foreign exchange profit or loss or application monies may be debited and refund credited in S\$ at the same exchange rate. FOR 1ST-COME-1ST-SERVE securities, the number of securities applied for may be reduced, subject to availability at the point of application.
9. Fill in details for share application and click “I Confirm”.
10. Check the details of your share application, your I/C/Passport No. and click “OK” to confirm your application.
11. Print Confirmation Screen (optional) for your reference & retention only.

Steps for Internet Electronic Application for the Placement Shares through the website of DBS Vickers

For illustrative purposes, the steps for making an application through the website of DBS Vickers is shown below:-

Steps

1. Access the website at <http://www.dbsvonline.com>.
2. Login with user ID and password.

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3. Select “Trading” and click on “IPO” hyperlink to go to the IPO Section.
4. Select “DYNAMAC” and click on “Apply now”.
5. Click “Yes” to represent and warrant that, *inter alia*, that you are in Singapore, you have observed and complied with all applicable laws and regulations, you have a mailing address in Singapore, you have read, understood and agreed to the “APPLICATION TERMS AND CONDITIONS” and the “GENERAL TERMS AND DISCLAIMERS” and you are not a U.S. Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).
6. Confirm the IPO applying for and its details by clicking on the “Next” button.
7. Click “Yes, I have read the above terms and conditions and wish to subscribe” and click “Submit” to confirm, *inter alia*:
 - (a) You have read, understood and agreed to the terms and conditions set out in the Prospectus/Document or Profile Statement including the notes and instructions for the completion of this Application Form and that this application has been made in accordance with the Prospectus/Document or Profile Statement and such notes and instructions. Capitalised terms used in this Application Form shall bear the meanings assigned to them in the Prospectus/Document or Profile Statement.
 - (b) You have read and understood the disclaimers.
 - (c) You have read, understood and agreed to the “APPLICATION TERMS AND CONDITIONS” and the “GENERAL TERMS AND DISCLAIMERS”.
 - (d) You consent to the disclosure of your name, NRIC or passport number, address, nationality and permanent resident status, CDP Securities A/C No., CPF Investment A/C No. (if applicable) and securities application amount from your account with DBS Vickers to the Issuer and the Manager, registrars of securities, SGX, SCCS, CDP and CPF (as applicable).
 - (e) This application is made in your own name and at your own risk.
 - (f) You understand that these are not deposits or other obligations of or guaranteed or insured by DBS Vickers and are subject to investment risks, including the possible loss of the principal amount invested. You declare that (a) you are not under 18 years of age, (b) you are not a corporation, sole proprietorship, partnership or any other business entity, (c) you are not an undisclosed bankrupt, (d) you are in Singapore, (e) you have a mailing address in Singapore and (f) you are not a U.S. person (within the meaning of Regulation S under the US Securities Act of 1933, as amended).
8. Fill in amount of share applied for and preferred payment mode, then click “Submit”.
9. Check and verify details of your share application and your Trading Account Number on the screen.
10. Enter your password and click “Submit” to continue.
11. Click on “Application Status” to check your IPO application details.
12. Print page for your reference and retention only.



DYNA-MAC HOLDINGS LTD.

(Company Registration No. 200305693E)

(Incorporated in the Republic of Singapore on 19 June 2003)

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