



Securities Investors Association (Singapore)

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Issuer: Dyna-Mac Holdings Ltd

Security: Dyna-Mac Holdings Ltd

Meeting details:

Date: 25 April 2019

Time: 4.00 p.m.

Venue: Dyna-Mac Holdings Ltd, Corporate Office Building, 45 Gul Road, Singapore 629350

Company Description

Dyna-Mac Holdings Ltd. is a Singapore-based investment holding company. The Company is engaged in the engineering, fabrication and construction of offshore floating production storage offloading (FPSO) and floating storage offloading (FSO) topside modules, as well as onshore plants and other sub-sea products for the oil and gas industries. It operates through two segments: Module business and Ad-hoc projects. Its module business segment involves detailed engineering, procurement and construction of topside modules for FPSOs and floating liquefied natural gas (LNG). Its specialized offshore business involves Hull of Semi-submersible, Turret Mooring Systems, Sub-sea Pipeline, and Fixed Platform and Jacket. Its on-shore plant business consists of construction of modules for LNG Liquefaction Plant, Refineries, Pharmaceutical and Petrochemical Plants. Its subsidiaries include Dyna-Mac Engineering Services Pte. Ltd. and Dyna-Mac Engineering (HK) Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=N04)

1. Would the board/management help provide shareholders with better clarity on the following operational and strategic matters? Specifically:

- (i) New Orders: How did the group secure the new projects totaling approximately \$150 million when there is so much competition and idle capacity in the market? In securing the contracts, has management built in sufficient margin to allow the group to capture its fair share of value?**
- (ii) Engineering, Procurement and Construction (EPC): How synergistic is the move to offer EPC services? Does the group have the necessary technical ability and the experience to execute on an EPC project? Would additional capital expenditure be required? Does the group have the right human talent (including technical ability/experience and the project management skills) to execute on an EPC project?**
- (iii) Yard capacity: The group has also said that it is “actively sourcing for additional yards space both in Singapore and overseas”. Would management explain the characteristics of a yard that it would want to acquire? What was the utilisation rate of its yards in FY2018? The group shut its Tanjung Kupang yard in December 2017 and tried to sell its yard at Pandan Crescent. Can management help shareholders understand if it has changed its plans?**

2. The “Going concern assumption” is a key audit matter (KAM) highlighted by the Independent Auditor’s in their Report on the Audit of the Financial Statements (page 56). Key audit matters are those matters that, in the professional judgement of the Independent Auditor’s, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM:

The group reported net profit before tax of \$1,479,000 for the year ended 31 December 2018, and as at that date, total cash balance decreased by approximately \$12,163,000 from 31 December 2017 mainly contributed by an outflow of cash from operating activities of \$24,740,000.

In Note 2 (page 55 - Basis of preparation: Going concern assumption), management has prepared the financial statements on a going concern basis after considering the following:

- Net current assets of \$49.2 million, including cash and cash equivalents of \$24.93 million
 - New orders of over \$157 million
 - Banking facilities of \$27.5 million, with \$20.0 million already utilised
- (i) Can management help shareholders understand how it intends to fund the working capital required for the new fabrication contracts valued at approximately \$150 million?**
 - (ii) Has the group explored how it could increase its banking facilities?**

- (iii) In Note 26 (page 103 – Financial risk management: Credit risk), management showed that trade receivables past due over 6 months have increased from \$3.3 million to \$8.7 million. The group has also assessed that no addition impairment on trade receivables upon the adoption of Singapore Financial Reporting Standards (International) (I) 9 is required.

Would management provide an upper limit to the age analysis of trade receivables that are past due but not impaired?

What are management’s plans to collect the long outstanding trade receivables to better manage its working capital?

3. The attendance of directors at board and board committee meetings is shown in the table below:

Attendance at Board and Committee Meetings during the financial year ended 31 December 2018

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Lim Tze Jong	4	4	4	4*	2	1*	1	1*
Lim Tjew Yok	4	3	4	3*	2	1*	1	1*
Tan Soo Kiat	4	4	4	4	2	2	1	1
Ong Seh Hong	4	4	4	4	2	2	1	1
Chor How Jat	4	4	4	4	2	1	1	1
Lee Kim Lian Juliana	4	2	4	2	2	-	1	-
Varghese John ⁽¹⁾	4	1	4	1*	2	1*	1	1*

* Attended by invitation

(1) Varghese John retired from the Board on 25 April 2018. However, Varghese continued his employment as the Senior Chief Corporate Officer of the Group.

(Source: Company annual report)

The executive directors, being Lim Tze Jong Desmond (executive chairman and chief executive officer) and Lim Tjew Yok (chief operating officer), are siblings and have been invited to the board committee meetings.

The executive chairman has interests of over 40% of the shares in the company while Lim Tjew Yok has 2,000,000 shares (or 0.20%).

- (i) **Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?**

(ii) Were there specific agenda items or reasons to invite the executive directors to all the board committee meetings?

In particular, the company has stated that the establishment of various committees with power and authority to perform key functions beyond the authority of, or without undue influence from the executive chairman (or chief executive officer) will promote an effective board oversight, appropriate balance of power and the spirit of good corporate governance.

(iii) What is the dynamics of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors? Such board committee meetings would have included agenda items on performance assessment and remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.

(iv) Do the invited directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from the board meeting?

In the Corporate Governance report, the company has stated ad hoc meetings have been held by the non-executive and independent directors without the presence of management.

(v) How many times did the non-executive directors meet without the presence of management? Would the board committee meetings be the more appropriate setting for such discussion? This would ensure that board deliberations and decisions are minuted formally.

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Dyna-Mac%20Holdings%20Ltd&cid=6663,4617>

The company's response could be found here: -----