

RESPONSES TO SIAS QUERIES ON THE COMPANY’S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Singapore, April 25, 2022: The Board of Directors of Dyna-Mac Holdings Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by Securities Investors Association (Singapore) (the “**SIAS**”) on 16 April 2022 in relation to the Company’s annual report for the financial year ended 31 December 2021 (the “**Annual Report**”) posted on SIAS website.

The Company has prepared and is releasing with this announcement the responses to the said questions as below:

S/N	Question	Response
Q1(i)	What are management’s plans to pro-actively secure more orders as the market sentiment (led by the recovery of oil price) improves? What is the company’s pricing strategy for new orders given the rising cost of raw material, tight manpower and increased volatility in the market?	<p>The Group receives strong enquiries for new projects both in Singapore and in China. The Group is exploring additional production capacity to meet expected increase in demand, and currently has various plans to scale up our production capacity. The immediate plan is to work with our partner yards in Singapore, Malaysia, Indonesia and China Merchants Heavy Industry Group in China.</p> <p>The high oil price leads to higher raw material costs. To mitigate the risk of the higher costs to the Group’s operations, the Group provides transparency on material price escalations and work with our potential Clients on the procurement of raw materials.</p> <p>At the same time, the Group is working very closely with Government agencies, such as Enterprise Singapore (ESG), on the manpower projection and gradual increase in manpower and middle management.</p>
Q1(ii)	Are there any operational challenges, such as lack of skilled manpower, that might constrain the group and affect the delivery of its projects? What are the impact, if any, on product and material supply chains due to the pandemic on operations and what had been done to minimise the impact?	<p>The Group, like other companies in Singapore, especially the offshore & marine industry, faces challenges in the shortage of skilled manpower, particularly during the COVID-19 period. However, with the strong support from Government agencies, such as ESG (as mentioned above), the Group has been able to bring in skilled manpower in a gradual manner into Singapore.</p> <p>While there are challenges in the material supply chains, the Group is pleased to inform</p>

		that with strong project management and execution, our project deliveries are on track. The Group is able to achieve this by having a strong quality and expediting team that track the material supply chain and work closely with the material supply chain partners.
Q1(iii)	What were the utilisation rates in the Singapore yards, namely the Main Yard and the West Yard? How much more capacity does the group have to support additional projects?	The Group's orderbook stretched to year 2024, and currently both our Main Yard and West Yard in Singapore are fully occupied. The Group is ramping up the middle management, manpower and production capacity to support the additional projects. To gain scalable production capacity quickly, the Group also collaborates with local Singapore, Malaysia and Indonesia's Marine & Offshore (M&O) yards to work as a pack.
Q1(iv)	What are the operational milestones achieved by the group's joint venture, DM-CMHI Offshore Engineering (Jiangsu) Co., Ltd.? Has the JV met or exceeded the board's expectations?	The Group started off the joint venture with a small scale project; i.e. Project Mero 2 whereby the JV Co fabricated 3 topside modules. In FY2021, we successfully completed and delivered Project Mero-2 and received a safety bonus from the client for zero Loss Time Incident – more details available in our announcement dated 22 nd June 2021. In FY2021, the JV Co successfully secured a contract for the fabrication of 8 units of topside modules which the Company has announced on 3 rd August 2021 from repeat customer. Despite the COVID-19 challenges, the JV Co has shown smooth execution of the projects.
Q1(v)	In November 2020, the company announced the award of \$157 million worth of projects which were expected to be completed by 2Q2022. Can management share with shareholders an update on the progress of the project?	It is important that the Group demonstrates the ability to execute and deliver our projects on-time, on-budget and safely. For this project, the Group is pleased to share with the shareholders that the Group has successfully loaded out 5 modules to-date.
Q2(i)	What are the board's plans to move towards more detailed ESG disclosures for stakeholders in its sustainability report/annual report? ESG disclosure is becoming increasingly important to regulators, shareholders and investors.	The Company's 5th sustainability report for the period 1 January 2021 to 31 December 2021 ("FY2021") will be published by May 2022. This report will focus on our sustainability strategies and covers our ESG performance across our operations in Singapore for FY2021. Moving forward, the Board is working with our SWC and SSC to implement quantified emission reduction targets (such as carbon intensity reduction) through identified processes with a view to improvement in fuel efficiency and reduction in usage,
Q2(ii)	How does management reconcile the global decarbonisation agenda with the group's vision, mission and its core business?	

		<p>electrification of equipment/machines/processes and use of green electricity. We hope to report on our progress in this respect in our next sustainability report.</p> <p>The group's vision, mission and its core business are aligned with the global decarbonisation agenda. As announced, the Group has collaborated with NUS to secure a grant under the Low Carbon Energy Research Funding Initiative. Our project involves methane pyrolysis as a potential pathway to producing low-carbon H2 in Singapore. As also announced, the Group continues to pursue opportunities in the global hydrogen and ammonia market, which is adjacent to our core capabilities. In connection with the above, the Group is looking to tap its modular construction capabilities to the fabrication of hydrogen modules. At the same time, we are also exploring collaborations with suitable partners in respect of carbon capture utilisation and storage solutions.</p> <p>In our journey to be a responsible corporate citizen, the Group has set a target to cut Carbon Intensity by 25% in 5 years. This target will be achieved through better energy management and use of renewable energy.</p>
<p>Q3(i)</p>	<p>Given the changes in the industry (with Keppel O&M exiting the offshore rig business), how has the group adjusted its long-term plans in light of the changes?</p>	<p>Dyna-Mac is not in the same offshore rig building business as Keppel O&M, and as such is not impacted by Keppel O&M's business decision in this case.</p> <p>The Group intends to stay focus on its core business of module fabrication and at the same time teaming up with MAN Energy Solutions Switzerland Ltd. (MAN ES) a critical equipment supplier and technology provider to develop equipment packaging for CCUS.</p> <p>The agreement with MAN ES brings together the synergistic values of the parties to jointly bid, execute and deliver equipment packages to our joint customers. As a start, MAN ES will provide the Core Compressor Train Technology whilst Dyna Mac will perform the packaging scope. This partnership also provides for both parties to investigate further areas of joint cooperation on service, marketing and technology development (R&D) focusing on but not limited to clean technology and decarbonisation solutions such as carbon capture, utilisation and storage (CCUS).</p>

		<p>The Group also enters into an agreement with Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE) that provides for both parties to jointly bid on targeted international projects on a consortium basis. This synergistic partnership will increase the Group's capacity to execute projects beyond its Singapore yards and together with MMHE as a strategic partner jointly offer one-stop solutions for module fabrication, vessel conversion and integration works, as well as other projects of mutual interest.</p>
Q3(ii)	<p>In particular, has the board evaluated the impact of the proposed merger of Keppel O&M with Sembcorp Marine on the group?</p>	<p>The Group hopes that the merged entity can bring more business into Singapore and potentially there can be collaboration between the Group and the merged entity.</p> <p>At the same time, the Group will continue to engage the other local, Malaysia and Indonesia yards to work together and expand our local capacity.</p> <p>Working with China Merchants Heavy Industry group, the Group will also be strengthening its presence in China.</p>
Q3(iii)	<p>As shown in Note 28(b) (page 110 – Segment information: Revenue from major customers), the group has two major customers that contributed revenue amounting to \$192.1 million, or 87% (FY2020: \$78.2 million or 93%). Are there any plans to acquire new customers to diversify the current customer base?</p>	<p>As mentioned earlier, it is important that the Group demonstrates the ability to execute and deliver our projects on-time, on-budget and safely. These factors have enabled the Group to attract repeat customers with sizable orders.</p> <p>The Group does have a strong customer base and relationship.</p> <p>While there is a strong enquiry pipeline, the Group will plan its production loading carefully and in doing so, ensure smooth project execution.</p>

BY ORDER OF THE BOARD

Lim Ah Cheng
Chief Executive Officer and Executive Director
25 April 2022