TRIYARDS HOLDINGS LIMITED
(Incorporated in Singapore)
(UEN/Company Registration Number: 201210555Z)

RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RESPECT OF THE RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017

The Board of Directors (the "**Board**") of Triyards Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in respect of the results announcement for the financial year ended 31 August 2017 (the "FY2017 Results").

1. Query from the SGX-ST:

"Under the "Revenue" section in paragraph 8 of the Announcement, it was disclosed that the Group's revenue has decreased by US$208.7 million (64%) for the financial year ended 31 August 2017 ("FY17") when compared to the corresponding period for the financial year ended 31 August 2016 ("FY16") due mainly to, amongst others, certain projects which are in contract cancellation period and therefore the Group has made certain provision for liquidated damages. Please disclose (i) the amounts of liquidated damages and the bases for the determining the liquidated damages; (ii) factors contributing to the contracts being classified as projects in contract cancellation period; (iii) the Group's assessment as to whether the amounts of the liquidated damages provided is sufficient; and (iv) the accounting treatment for such liquidated damages."

Response from the Company:

(i) The provision for liquidated damages arising from certain projects which are in contract cancellation period is approximately US$5.4 million. The liquidated damages are determined based on the maximum sum that the Group is liable to compensate the clients pursuant to the ship building contracts signed.

(ii) As explained in paragraph 10 of the FY2017 Results, the Group is facing difficulties in terms of its ability to secure the necessary financing for its projects, notably after the related/affiliated entities of Ezra Holdings Limited have filed Chapter 11 of the United States Bankruptcy Code in early 2017. This has resulted significant slow-down in progress of the existing projects and caused the failure to deliver these projects by contractual delivery dates, which has placed the projects under contract cancellation period.

(iii) The Group has assessed the amounts of the liquidated damages provided to be sufficient, being the maximum sum that the Group is liable to compensate the clients pursuant to the ship building contracts signed.

(iv) The liquidated damages are accounted for as a reduction in contract revenue which is measured at the fair value of the consideration received or receivable, in accordance with Paragraph 12 of Singapore FRS 11 *Construction Contracts*.

2. **Query from the SGX-ST:**

"We refer to the "Provisions and Impairments of assets" section in paragraph 8 of the Announcement and the Company's responses to SGX's Clarifications of 28 July 2017, we note that there are additional allowances recorded in the last quarter ended 31 August 2017. In this regard, please disclose (i) how the Board has satisfied itself that the methodologies used in determining the additional allowances and impairments are reasonable; and (ii) whether the Board has sought appropriate independent advice."

Response from the Company:

The breakdown of the additional provisions and impairment of assets made in the last quarter of FY2017 Results is tabled as below:

Account	**Description**	**US$ Million**
Assets held for sale	Impairment of Houston properties	0.3
Trade and other receivables	Allowance for doubtful receivables	5.3
Other current assets	Allowance for doubtful receivables	5.5
Inventories and work-in-progress	Provision for inventory obsolescence	3.6
Total		14.7

The Board has reviewed and is satisfied with the basis of the additional provisions and impairment of each item made in the last quarter of FY2017 Results as set out below and with prudence, concurred with the amount of provisions and impairment as recommended by the management. The Board has not sought independent professional advice in assessing the basis for provisions and impairment and the Board noted the provision amount will be subject to concurrence of opinion by the external auditor when the Group finalises the FY2017 results.

Description of Impairment	US$ Million	Background and Basis of Assessment
Impairment of Houston properties	0.3	The impairment amount was computed based on the disposal proceed realised in October 2017.
Allowance for doubtful receivables – Trade and other receivables	5.3	This is mainly relating to disputed variation orders with a client in oil & gas industry and the amount has been outstanding since July 2015. After due assessment of the client's financial position based on publicly available information, the Group has decided to make the provision for doubtful debt.
Allowance for doubtful receivables – Other current assets	5.5	The amount materially relates to deferred expenses incurred for new shipbuilding projects which was suspended due to uncertainty on the client ability to fulfil its contractual obligations. Accordingly, the amount was fully provided for in the financial statement.

Provision for inventory obsolescence	3.6	This is relating to (a) specific provision for inventories with a shelf life, based on the assessment from a third party, and (b) certain equipment components, initially which was incurred for a potential CAPEX project. In order to provide necessary liquidity for the operations, the Group decided to scrap the CAPEX project and the respective provision amount was computed based on the disposal proceed of the equipment components.
Total	14.7	

By Order of the Board

Lee Kian Soo
Chairman
5 January 2018