



TRIYARDS HOLDINGS LIMITED (CO. REG. NO.: 201210555Z)

**Financial Statements And Dividend Announcement
For the Second Quarter ended 28 February 2015**

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) (i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(Amounts expressed in United States dollars)

CONSOLIDATED INCOME STATEMENT

	Group			Group		
	3 months ended		Incr/ (decr) %	6 months ended		Incr/ (decr) %
	28 February 2015 US\$'000	28 February 2014 US\$'000		28 February 2015 US\$'000	28 February 2014 US\$'000	
Revenue	61,106	74,475	(18)	117,805	164,562	(28)
Cost of sales	(47,434)	(61,020)	(22)	(91,122)	(138,354)	(34)
Gross profit	13,672	13,455	2	26,683	26,208	2
Other income, net	414	103	nm	4,625	165	nm
Administrative expenses	(6,727)	(3,035)	122	(13,403)	(6,693)	100
Profit from operations	7,359	10,523	(30)	17,905	19,680	(9)
Financial income	2	3	(33)	9	4	125
Financial expenses	(1,713)	(1,136)	51	(3,067)	(2,056)	49
Profit before tax	5,648	9,390	(40)	14,847	17,628	(16)
Tax	(547)	(1,620)	(66)	(1,522)	(2,550)	(40)
Profit after tax	5,101	7,770	(34)	13,325	15,078	(12)
Attributable to:						
Owners of the Company	5,101	7,770	(34)	13,325	15,078	(12)
	5,101	7,770	(34)	13,325	15,078	(12)

nm – not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group			Group		
	3 months ended		Incr/ (decr) %	6 months ended		Incr/ (decr) %
	28	28		28	28	
	February 2015	February 2014		February 2015	February 2014	
US\$'000	US\$'000	US\$'000	US\$'000			
Profit after tax	5,101	7,770	(34)	13,325	15,078	(12)
Other comprehensive income:						
Exchange differences on translating foreign operations	(182)	-	nm	(362)	-	nm
Other comprehensive income for the financial period, net of tax	(182)	-		(362)	-	
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	4,919	7,770	(37)	12,963	15,078	(14)
Total comprehensive income attributable to:						
Owners of the Company	4,919	7,770	(37)	12,963	15,078	(14)
	4,919	7,770	(37)	12,963	15,078	(14)

Profit before tax was stated after (charging)/crediting:-

	Group			Group		
	3 months ended		Incr/ (decr)	6 months ended		Incr/ (decr)
	28	28		28	28	
	February 2015	February 2014		February 2015	February 2014	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Depreciation of fixed assets	(3,065)	(1,950)	57	(5,826)	(3,747)	55
Gain on disposal of fixed assets	23	13	77	24	13	85
Fixed assets written off	(2)	-	nm	(2)	(1)	100
Interest income	2	3	(33)	9	4	125
Exchange gain/(loss), net	162	27	nm	320	(231)	nm
Negative goodwill on acquisition of subsidiaries*	-	-	nm	3,881	-	nm

* Negative goodwill on acquisition of subsidiaries is provisional and subject to change after the purchase price allocation exercise is completed in accordance to FRS 103 *Business Combination*.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

(Amounts expressed in United States dollars)

	Group		Company	
	28 February 2015 US\$'000	31 August 2014 US\$'000	28 February 2015 US\$'000	31 August 2014 US\$'000
Non-current assets				
Fixed assets	133,924	107,220	-	-
Intangible assets	7,702	7,633	-	-
Investments in subsidiaries	-	-	182,468	182,468
Available-for-sale ("AFS") investments	38	-	-	-
Deferred tax assets	182	201	-	-
Current assets				
Inventories and work-in-progress	49,088	30,979	-	-
Trade receivables	150,829	156,860	-	-
Other receivables	9,668	4,193	9	50
Other current assets	16,843	4,866	228	488
Balances due from				
- subsidiaries	-	-	48,378	33,599
- ultimate holding company	36	37	36	37
- related companies	28,766	23,205	424	382
- affiliated companies	64	3,556	-	42
Cash and cash equivalents	19,831	22,779	215	198
	<u>275,125</u>	<u>246,475</u>	<u>49,290</u>	<u>34,796</u>
Current liabilities				
Trade payables	25,430	27,102	-	-
Other payables	75,230	37,872	438	838
Balances due to				
- subsidiaries	-	-	14,136	18,067
- ultimate holding company	2,026	1,725	-	-
- related companies	11,958	11,444	-	-
- affiliated companies	156	-	-	-
Bills payable to banks	32,676	20,411	-	-
Lease obligations	357	23	-	-
Bank term loans	59,488	83,380	-	-
Provision for tax	3,407	4,396	-	-
	<u>210,728</u>	<u>186,353</u>	<u>14,574</u>	<u>18,905</u>
Net current assets	64,397	60,122	34,716	15,891
Non-current liabilities				
Lease obligations	(1,345)	(91)	-	-
Bank term loans	(8,219)	(5,597)	-	-
Deferred tax liabilities	(1,207)	(241)	-	-
	<u>195,472</u>	<u>169,247</u>	<u>217,184</u>	<u>198,359</u>
NET ASSETS				
EQUITY				
Share capital	209,544	193,802	209,544	193,802
Accumulated profits	165,637	154,792	7,640	4,557
Merger reserve	(179,347)	(179,347)	-	-
Translation reserve	(362)	-	-	-
TOTAL EQUITY	<u>195,472</u>	<u>169,247</u>	<u>217,184</u>	<u>198,359</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	28 February 2015		31 August 2014	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	63,656	28,865	77,107	26,707
Amount repayable after one year	7,777	1,787	3,091	2,597

Details of any collaterals

The group's borrowings are primarily secured by way of legal mortgage on the property, plant and machinery and assignment over the benefits arising from shipbuilding contract including the work in progress, first ranking security over the earnings account vessel under construction.

1(c) A statement of cashflows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

(Amounts expressed in United States dollars)

	Group		Group	
	3 months ended 28 February 2015 US\$'000	3 months ended 28 February 2014 US\$'000	6 months ended 28 February 2015 US\$'000	6 months ended 28 February 2014 US\$'000
Cash flows from operating activities				
Profit before tax	5,647	9,390	14,846	17,628
Adjustments:				
Depreciation of fixed assets	3,065	1,950	5,826	3,747
Gain on disposal of fixed assets	(23)	(13)	(24)	(13)
Fixed assets written off	2	-	2	1
Unrealised exchange loss/(gain)	350	(79)	60	60
Interest expense	1,713	1,136	3,067	2,056
Interest income	(2)	(3)	(9)	(4)
Negative goodwill on acquisition of subsidiaries	-	-	(3,881)	-
Operating profit before working capital changes	10,752	12,381	19,887	23,475
(Increase)/decrease in:				
Inventories and work-in-progress	(6,627)	6,819	(16,637)	(7,267)
Trade receivables	13,360	(46,960)	34,154	(51,059)
Other receivables and other current assets	(3,921)	(1,332)	(13,704)	(744)
Due from ultimate holding company	-	-	1	(64)
Due from related companies	(7,145)	33,409	(5,561)	22,775
Due from affiliated companies	5,367	(3,258)	3,492	(3,480)
Increase/(decrease) in:				
Trade payables	2,901	3,178	(15,588)	(215)
Other payables	7,211	(1,624)	25,561	13,191
Due to ultimate holding company	326	187	301	163
Due to related companies	(3,448)	(5,532)	514	(3,867)
Due to affiliated companies	156	-	156	-
Cash generated from/(used in) operations	18,932	(2,732)	32,576	(7,092)
Interest paid	(1,713)	(1,136)	(3,067)	(2,056)
Interest income received	2	3	9	4
Tax paid	(2,190)	(1,133)	(3,965)	(1,452)
Net cash generated from/(used in) operating activities	15,031	(4,998)	25,553	(10,596)
Cash flows from investing activities				
Purchase of fixed assets	(1,419)	(3,089)	(5,882)	(4,374)
Proceeds from disposal of fixed assets	30	18	32	18
Acquisition of subsidiaries, net of cash paid	-	-	(15,656)	-
Net cash used in investing activities	(1,389)	(3,071)	(21,506)	(4,356)
Cash flows from financing activities				
(Repayment)/proceeds from lease obligations, net	(89)	-	1,749	-
Proceeds from issuance of placement shares, net of transaction cost:	-	-	15,742	-
Proceeds from bank term loans and bills payable to banks	31,738	52,458	86,082	106,416
Repayment of bank term loans and bills payable to banks	(57,351)	(42,212)	(107,698)	(85,462)
Dividends paid on ordinary shares	(2,480)	(4,628)	(2,480)	(4,628)
Net cash (used in)/generated from financing activities	(28,182)	5,618	(6,605)	16,326
Net (decrease)/increase in cash and cash equivalents	(14,540)	(2,451)	(2,558)	1,374
Effects of exchange on cash and cash equivalents	(318)	11	(390)	39
Cash and cash equivalents at beginning of financial period	34,689	19,313	22,779	15,460
Cash and cash equivalents at end of financial period	19,831	16,873	19,831	16,873

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

(Amounts expressed in United States dollars)

Group	Attributable to owners of the Company				
	Share capital US\$'000	Accumulated profits US\$'000	Merger reserve US\$'000	Translation reserve US\$'000	Total equity attributable to owners of the Company US\$'000
Group					
Balance at 1 September 2013	193,802	132,755	(179,347)	-	147,210
Total comprehensive income for the financial period	-	15,078	-	-	15,078
Dividends on ordinary shares	-	(4,628)	-	-	(4,628)
Balance at 28 February 2014	193,802	143,205	(179,347)	-	157,660
Balance at 1 September 2014	193,802	154,792	(179,347)	-	169,247
Total comprehensive income for the financial period	-	13,325	-	(362)	12,963
Issuance of shares by way of placement	16,243	-	-	-	16,243
Share issuance expense	(501)	-	-	-	(501)
Dividends on ordinary shares	-	(2,480)	-	-	(2,480)
Total transactions with owners in their capacity as owners	15,742	(2,480)	-	-	13,262
Balance at 28 February 2015	209,544	165,637	(179,347)	(362)	195,472
Company					
	Attributable to owners of the Company				
	Share capital US\$'000	Accumulated profits US\$'000	Total Equity US\$'000		
Balance at 1 September 2013	193,802	6,368	200,170		
Total comprehensive income for the financial period	-	(109)	(109)		
Dividends on ordinary shares	-	(4,628)	(4,628)		
Balance at 28 February 2014	193,802	1,631	195,433		
Balance at 1 September 2014	193,802	4,557	198,359		
Total comprehensive income for the financial period	-	5,563	5,563		
Issuance of shares by way of placement	16,243	-	16,243		
Share issuance expense	(501)	-	(501)		
Dividends on ordinary shares	-	(2,480)	(2,480)		
Total transactions with owners in their capacity as owners	15,742	(2,480)	13,262		
Balance at 28 February 2015	209,544	7,640	217,184		

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

Share Placement Exercise

On 29 September 2014, the Company issued and allotted 29,500,000 new ordinary shares in the capital of the Company (“the Placement Shares”) pursuant to a private placement at an issue price of S\$0.70 for each Placement Share to raise gross proceeds of S\$20.65 million. The utilisation of the proceeds was announced on SGXnet on 8 January 2015 and 13 January 2015.

As at 28 February 2015, the Company’s total issued shares is 324,508,913 (28 February 2014: 295,008,913). The Company does not hold any treasury shares.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

The Company’s total issued shares excluding treasury shares is 324,508,913 as at 28 February 2015 (31 August 2014: 295,008,913).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

Not applicable.

- 2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of a matter)**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the second quarter ended 28 February 2015 as the most recently audited financial statements for the financial year ended 31 August 2014 (“FY14”).

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has adopted the new and revised FRSs and Interpretation of FRS (INT FRS) that are effective for annual periods beginning on or after 1 September 2014. The adoption of these new/revised FRS and INT FRSs did not have material effect on the financial performance or position of the Group.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends: -

	6 months ended 28 February 2015	6 months ended 28 February 2014
Net profit attributable to owners of the Company (US\$'000)	13,325	15,078
Weighted average number of ordinary shares on issue for calculation of ('000):		
- Basic earnings per share	319,945	295,009
- Diluted earnings per share	319,945	295,009
Earnings per ordinary share ("EPS") (US cents) of the Group:		
(a) Based on the weighted average number of ordinary shares on issue	4.16	5.11
(b) On a fully diluted basis	4.16	5.11

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	As at 28 February 2015	As at 31 August 2014	As at 28 February 2015	As at 31 August 2014
Net asset value per ordinary share (US cents)	60.24	57.37	66.93	67.24

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Acquisition Exercise Completed in October 2014

Pursuant to the acquisition exercise completed in October 2014, whereby the Group had acquired 100% of the issued share capital of Strategic Marine (S) Pte. Ltd. and the charter capital of Strategic Marine (V) Company Limited (collectively, the "SM Group"), the assets and liabilities of both target companies were consolidated in the Group's statement of financial position as at 28 February 2015. This represents one of the reasons for respective increases in assets and liabilities of the Group as at 28 February 2015, as compared to 31 August 2014. The post-acquisition results were consolidated in the Group's income statement for the period of six months ended 28 February 2015.

REVIEW OF PERFORMANCE:

Revenue

Group's revenue decreased by US\$46.8 million (28%) for the six months ended 28 February 2015 ("1H15") and US\$13.4 million (18%) for the three months ended 28 February 2015 ("2Q15") respectively, when compared to the corresponding periods for the six months ended 28 February 2014 ("1H14") and three months ended 28 February 2014 ("2Q14").

The main reasons for the decreases in 1H15 and 2Q15 were due to:

- (i) *Lewek Constellation* and 3 units of self-elevating units ("SEUs") – two units from BH450 series and one from BH335 series - which contributed significantly in 1H14 and 2Q14, were either delivered to the client or at final completion stage as at 28 February 2015; and
- (ii) The new projects regarding two units of four-legged SEUs as announced in January 2015 – two units of four-legged SEUs to be delivered to well established and experienced US-based operators – were at inception stage as at 28 February 2015.

However, the decreases were partially offset by:

- (i) Three units of SEUs – two from BH335 series and one from BH300 L4T – which had reached differing advanced stages of construction as at 28 February 2015;
- (ii) Contributions from the acquisition of SM Group;
- (iii) One unit of four-legged SEU, contract of which was announced in September 2014, had made a significant contribution during 2Q15 ; and
- (iv) Certain industrial and offshore fabrication projects.

Gross profit

In spite of the lower revenue, margins improved slightly in 1H15 and 2Q15 from its comparative periods. The improvements were mainly due to higher margin from an offshore fabrication project and different mix of projects at their respective completion stages.

Other income, net

Other income for 1H15 and 2Q15 increased by US\$4.5 million and US\$0.3 million respectively, compared to 1H14 and 2Q14. The increases were mainly due to provisional negative goodwill of US\$3.9 million recognised on acquisition of the SM Group, increase in sales of scrap and foreign exchange gain.

Administrative expenses

Administrative expenses for 1H15 and 2Q15 increased by US\$6.7 million and US\$3.7 million respectively, compared to 1H14 and 2Q14. The increases were mainly due to additions from the SM Group.

Financial expenses

Financial expenses for 1H15 and 2Q15 increased by US\$1.0 million (49%) and US\$0.6 million (51%) respectively, compared to 1H14 and 2Q14. The increases were due to loan drawdowns to finance the working capital of the various projects and additions from the SM Group.

Profit before tax

Profit before tax for 1H15 and 2Q15 decreased by US\$2.8 million (16%) and US\$3.7 million (40%) respectively, compared to 1H14 and 2Q14. The decreases were mainly due to the increase in administrative and financial expenses.

This was partially offset by the increase in other income as explained above.

Tax

The decrease in tax expense in 1H15 and 2Q15 was in line with the decrease in profit before tax.

REVIEW OF STATEMENT OF FINANCIAL POSITION AND CASH FLOWS:

Non-current assets

The increase in non-current assets was mainly due to the acquisition of SM Group.

Current assets

The increase in current assets was mainly due to:-

- (i) Increase in inventories and work-in-progress reflecting higher stockholding to support some SEU projects and aluminium crew boats and wind farm vessels of SM Group which were under construction at end of 2Q15;
- (ii) Increase in other receivables arising from higher amount of value added tax and import tax claimable for purchase of materials and equipment in Vietnam; and
- (iii) Increase in other current assets, mainly as a result of downpayment made to certain equipment suppliers.

The above increases were partially offset by receipts from customers and decrease in cash and cash equivalents.

Current liabilities

The increase in current liabilities was mainly due to:-

- (i) Increase in other payables resulting from increase in advance billings to customers as well as accruals for costs of certain equipment delivered during the financial period; and
- (ii) Increase in bills payable to banks arising from higher borrowings for working capital.

The above increases were partially offset by repayment of bank term loans and lower provision for tax resulting from lower profits.

Non-current liabilities

The increase in non-current liabilities was mainly due to reclassification from current liabilities to non-current liabilities for the bank loans.

Equity

The increase in shareholders' equity was due to profit generated during the financial period and net proceeds from share placement. This was partially offset by dividends paid during the period.

Cash flows

The Group recorded net cash inflow in operating activities of US\$25.6 million in 1H15 and US\$15.0 million in 2Q15 respectively, mainly due to receipts from customers. These were partially offset by increase in inventories and work-in-progress.

Net cash used in investing activities was US\$21.5 million in 1H15 and US\$1.4 million in 2Q15 respectively, spent mainly to acquire the SM Group, purchase of operating equipment and upgrade of the facilities at one of the yards in Vietnam.

Net cash used in financing activities was US\$6.6 million in 1H15 and US\$28.2 million in 2Q15 respectively, as a result of net loan repayments and dividends paid. These were partially offset by net proceeds from issuance of placement shares.

Financial ratios

The Group's net debt to equity ratio (defined as ratio of total external indebtedness (net of cash and cash equivalents) owing to bank and financial institutions to shareholders' equity) decreased from 0.51 to 0.42 times, in 2Q15 compared to FY14. Approximately 89% of the Group borrowings as at 28 February 2015 relates to working capital financing.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Weakened oil prices recently could potentially lead to reduction or delay of oil & gas capital expenditure especially for exploration activities. However the primary business of TRIYARDS focuses on full value chain – fabricating assets which are involved in construction, production and decommissioning, to inspection and maintenance of offshore infrastructure servicing the existing offshore fields. Therefore the Group believes that there will be continued demand for its offering, notwithstanding competitive and challenging environment which the Group anticipates in next 12 months.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended for the current financial period reported on.

13. **If the Group has obtained a general mandate from shareholders for IPTS, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

Aggregate value of interested person transactions, pursuant to the IPT mandate renewed on 31 December 2014, is as follows.

Name of interested person	Aggregate value of all interested person transactions during six months of FY2015 (excluding transactions less than US\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual during six months of FY2015 (excluding transactions less than US\$100,000)
	US\$'000	US\$'000
<u>Revenue (Recognised)</u>		
Lewek Constellation Pte Ltd	–	13,683
Ezra Marine Services Pte Ltd	–	6,106
Emas Offshore Services Pte Ltd	–	545
Emas Energy Services (Thailand) Limited	–	401
<u>Purchase of Goods and Services</u>		
Ezra Holdings Ltd	–	649
Ezra Marine Services Pte Ltd	–	731
EMAS IT Solutions Pte Ltd	–	307
Lewek Victory Shipping Pte Ltd	3,976	–

**Confirmation by the Board
Pursuant to SGX Listing Rule 705(5)**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the second quarter ended 28 February 2015 to be false or misleading.

On behalf of the Board of Directors



**Lee Chye Tek Lionel
Chairman (Non-Executive)**

6 April 2015



**Chan Eng Yew
Chief Executive Officer**