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 THIRD QUARTER ENDED 31 MAY 2017

The Board of Directors (the "**Board**") of TRIYARDS Holdings Limited (the "**Company**", 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 third quarter ended 31 May 2017 (the "3Q FY2017 Results").

1. Query from the SGX-ST:

*"It was disclosed that due to the prolonged depressed state of oil & gas industry as well as the extremely competitive market environment, the carrying value of certain assets was negatively impacted. The Group has made an allowance amounting to US$45.1 million for impairment of these assets in the 3Q FY2017 Results ("**Impairment**"). In this regard, please provide a breakdown of the Impairment with details of material assets impaired."*

Response from the Company:

The breakdown of the Impairment in the 3Q FY2017 Results amounting to US$45.1 million is tabled as below.

Balance Sheet Item	**Description of Impairment**	**US$ Million**
Fixed assets	Impairment of Houston properties	7.5
Intangible assets	Impairment of jack-up rig design	7.8
Inventories and work-in-progress	Provision for inventory obsolescence	14.7
Trade receivables	Allowance for doubtful trade receivables	5.1
Other current assets	Allowance for doubtful other receivables	10.0
Total		45.1

2. Query from the SGX-ST:

"Based on the 3Q FY2017 Results, there was a decrease of US$15 million in the amount due from related companies. It was disclosed that the decrease was mainly due to payment received and allowance for doubtful receivables. In this regard, please provide a breakdown of the decrease in the material amount due from related companies."

Response from the Company:

The decrease of US$15.0 million in the amount due from related companies was the net movement from 31 August 2016 to 31 May 2017, mainly due to progress billings on certain fabrication and shipbuilding projects amounting to US$2.3 million which was offset by

- payment received of US$9.0 million from related/affiliated entities of Ezra Holdings Limited who did not file for Chapter 11 of the United States Bankruptcy Codes as at the date of announcement of 3Q FY2017 results, and
- allowance for doubtful receivables of US$8.3 million from related/affiliated entities of Ezra Holdings Limited who either face a potential going concern issue or have filed for Chapter 11 of the United States Bankruptcy Code as at the date of announcement of 3Q FY2017 results.

3. Query from the SGX-ST:

"With reference to SGX Regulator's Column dated 17 November 2015, please disclose (i) how the Board satisfied itself that the methodologies used to determine the Impairment and Allowance are reasonable, and (ii) whether the board sought appropriate independent professional advice in doing so."

Response from the Company:

The Board has reviewed and is satisfied with the basis of the provision for impairment of each item as set out below and with prudence, concurred with the amount of provision as recommended by the management. The Board has not sought independent professional advice in assessing the basis for 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.

Description of Impairment	US$ Million	Background and Basis of Assessment
Impairment of Houston properties	7.5	The Group had acquired the properties with the aim and intention to develop as a manufacturing facility for offshore and marine lifting equipment, to be served for markets in Gulf of Mexico and North Americas. Due to prolonged downturn of the oil & gas industry, the Group sees extremely challenging to realise the business plan with positive cash flow contribution from use of these assets. The Group has recently obtained a desktop valuation from one of the real estate agencies based in Houston, based on which the Group has computed the provision for impairment.
Impairment of Jack-up rig design	7.8	The Group had acquired the drilling rig design TDU 400 and subsequently developed it further in order to enhance certain features of the design. Since the completion of the development in late FY2015, the Group has made efforts to market the product. However, mainly as a result of weak market condition there were no sale achieved to date and no enquires from a customer with a probability to materialize into a contract to design and build the drilling rig. With the continued depressed state of oil & gas industry, the Group foresee no marketability and certainty as to the future positive cash flow contribution from the use or sale of this intellectual property and thus the Group has made provision for impairment for the full amount.

Allowance for doubtful other receivables	10.0	This is pertaining to purchase of a second-hand pipe lay system which the Group has made a downpayment to the supplier of US$ 10.0 million, with the plan and intention to refurbish and deploy for the project relating to the construction of an offshore construction vessel. While the contract negotiation and discussion with the client were in progress, the project was abandoned with the onset of slump in oil prices. Thus far, The Group finds no potential buyer who is interested to purchase the system. With the current cash flow position of the Group, it is not permissible to settle the balance outstanding nor in position to recover the deposit paid. Therefore, the Group has decided to make a provision in full for probable loss of the downpayment paid.
Provision for inventory obsolescence	14.7	This is relating to marine equipment which the Group had purchased and subsequently refurbished with the plan to supply to an affiliated/related entity of Ezra Holdings Limited for their certain new build vessels. With the downturn of oil & gas market and subsequently with the going concern issues, the new build programs were not materialized. Despite the efforts which the Group has made, it was not feasible to deploy for the Group's current projects due to differing specification. To date, the Group finds no active market for sale and immaterial scrap value after factoring in the potential shipping cost involved. Therefore, the Group has decided to make a provision in full.
Allowance for doubtful trade receivables	5.1	This is relating to disputed variation orders with a client in oil & gas industry and the amount has been outstanding since July 2015. Despite the fact that the group will continue to engage to recover the amount, after due assessment, the Group has decided to make a provision for doubtful debt.
Total	45.1	

By Order of the Board

Shannon Ong
Company Secretary
28 July 2017