



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

Financial Statements And Dividend Announcement
For the First Quarter ended 30 November 2016

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.

CONSOLIDATED INCOME STATEMENT

	Group		
	3 months ended		
	30 November	30 November	Incr/
	2016	2015	(decr)
	US\$'000	US\$'000	%
Revenue	91,199	78,125	17
Cost of sales	(80,696)	(63,529)	27
Gross profit	10,503	14,596	(28)
Other income, net	395	65	> 100
Administrative expenses	(7,284)	(6,649)	10
Profit from operations	3,614	8,012	(55)
Financial income	19	116	(84)
Financial expenses	(1,636)	(1,116)	47
Profit before tax	1,997	7,012	(72)
Tax credit/(expense)	70	(855)	nm
Profit after tax attributable to owners of the Company	2,067	6,157	(66)

nm – not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group		
	3 months ended		
	30 November 2016	30 November 2015	Incr/ (decr)
	US\$'000	US\$'000	%
Profit after tax	2,067	6,157	(66)
Other comprehensive income:			
Exchange differences on translating foreign operations	(545)	(5)	> 100
Fair value changes on cash flow hedges	487	250	95
Other comprehensive income for the financial period, net of tax	(58)	245	> 100
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	2,009	6,402	(69)

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

	Group		
	3 months ended		
	30 November 2016	30 November 2015	Incr/ (decr)
	US\$'000	US\$'000	%
Depreciation of fixed assets	(2,930)	(2,896)	1
Fixed assets written off	(10)	-	nm
Amortisation of intangible assets	(132)	(155)	(15)
Interest income	19	116	(84)
Fair value changes in respect of derivative instruments, net	(9)	-	nm
Exchange gain/(loss), net	174	(28)	nm

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

	Group		Company	
	30 November 2016 US\$'000	31 August 2016 US\$'000	30 November 2016 US\$'000	31 August 2016 US\$'000
Non-current assets				
Fixed assets	135,212	137,640	-	-
Intangible assets	9,729	9,312	-	-
Investments in subsidiaries	-	-	182,568	182,568
Available-for-sale ("AFS") investments	36	37	-	-
Finance lease receivable	1,330	1,470	-	-
Deferred tax assets	1,545	1,231	-	-
Current assets				
Assets held for sale	4,323	4,550	-	-
Inventories and work-in-progress	70,716	64,529	-	-
Trade receivables	215,573	170,310	-	-
Other receivables	10,023	7,607	-	-
Other current assets	26,428	27,483	238	244
Finance lease receivable	554	550	-	-
Balances due from				
- subsidiaries	-	-	43,814	43,917
- related companies	8,893	15,596	68	52
- affiliated companies	19	-	-	-
Cash and cash equivalents	15,318	15,624	39	56
Cash pledged	13,185	22,298	-	-
	365,032	328,547	44,159	44,269
Current liabilities				
Trade payables	54,669	44,066	-	-
Other payables	58,608	51,270	695	568
Balances due to				
- subsidiaries	-	-	-	100
- ultimate holding company	122	294	36	-
- related companies	2,003	1,280	-	-
- affiliated companies	14	209	-	-
Derivative financial instruments	694	1,187	-	-
Bills payable to banks	74,286	70,492	-	-
Lease obligations	42	44	-	-
Bank term loans	77,989	67,472	-	-
Provision for tax	3,612	3,698	-	-
	272,039	240,012	731	668
Net current assets	92,993	88,535	43,428	43,601
Non-current liabilities				
Lease obligations	(106)	(123)	-	-
Bank term loans	(12,350)	(11,927)	-	-
Deferred tax liabilities	(2,800)	(2,595)	-	-
NET ASSETS	<u>225,589</u>	<u>223,580</u>	<u>225,996</u>	<u>226,169</u>
EQUITY				
Share capital	209,544	209,544	209,544	209,544
Accumulated profits	197,034	194,967	16,452	16,625
Merger reserve	(179,347)	(179,347)	-	-
Translation reserve	(1,244)	(699)	-	-
Hedging reserve	(398)	(885)	-	-
TOTAL EQUITY	<u>225,589</u>	<u>223,580</u>	<u>225,996</u>	<u>226,169</u>

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

	30 November 2016		31 August 2016	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	95,797	56,520	85,864	52,144
Amount repayable after one year	10,946	1,510	10,163	1,887

Details of any collaterals

The Group's borrowings are primarily secured by way of legal mortgages on the property, plant and machinery and assignment over the benefits arising from shipbuilding contract including the work in progress, charge over earnings account, assignment of insurances and cash deposits of the Group.

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

	Group	
	3 months ended 30 November 2016 US\$'000	3 months ended 30 November 2015 US\$'000
Cash flows from operating activities		
Profit before tax	1,997	7,012
Adjustments:		
Depreciation of fixed assets	2,930	2,896
Fixed assets written off	10	-
Amortisation of intangible assets	132	155
Fair value changes in respect of derivative instruments, net	9	-
Unrealised exchange (gain)/loss	(73)	117
Interest expense	1,636	1,116
Interest income	(19)	(116)
Operating profit before working capital changes	6,622	11,180
(Increase)/decrease in:		
Inventories and work-in-progress	(6,187)	(168)
Trade receivables	(45,263)	5,754
Other receivables and other current assets	(1,361)	(4,890)
Finance lease receivable	150	-
Due from ultimate holding company	-	258
Due from related companies	6,703	(889)
Due from affiliated companies	(19)	(32)
Increase/(decrease) in:		
Trade payables	10,056	(6,565)
Other payables	7,291	(1,565)
Due to ultimate holding company	(172)	(708)
Due to related companies	723	79
Due to affiliated companies	(195)	(172)
Cash (used in)/from operations	(21,652)	2,282
Interest paid	(1,636)	(1,116)
Interest income received	5	116
Tax (paid)/refunded	(27)	111
Net cash (used in)/from operating activities	(23,310)	1,393
Cash flows from investing activities		
Purchase of fixed assets	(663)	(3,562)
Additions to intangible assets	(551)	(76)
Decrease/(increase) in cash pledged	9,113	(15,165)
Net cash from/(used in) investing activities	7,899	(18,803)
Cash flows from financing activities		
Repayment of lease obligations	(11)	(87)
Proceeds from bank term loans and bills payable to banks	71,924	49,569
Repayment of bank term loans and bills payable to banks	(56,703)	(40,193)
Net cash from financing activities	15,210	9,289
Net decrease in cash and cash equivalents	(201)	(8,121)
Effects of exchange on cash and cash equivalents	(105)	17
Cash and cash equivalents at beginning of financial period	15,624	40,523
Cash and cash equivalents at end of financial period	15,318	32,419

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

Group	Attributable to owners of the Company					
	Share capital US\$'000	Accumulated profits US\$'000	Merger reserve US\$'000	Translation reserve US\$'000	Hedging reserve US\$'000	Total US\$'000
Group						
Balance at 1 September 2015	209,544	179,466	(179,347)	(1,124)	(126)	208,413
Total comprehensive income for the financial period	-	6,157	-	(5)	250	6,402
Balance at 30 November 2015	209,544	185,623	(179,347)	(1,129)	124	214,815
Balance at 1 September 2016	209,544	194,967	(179,347)	(699)	(885)	223,580
Total comprehensive income for the financial period	-	2,067	-	(545)	487	2,009
Balance at 30 November 2016	209,544	197,034	(179,347)	(1,244)	(398)	225,589
Company						
	Attributable to owners of the Company					
	Share capital US\$'000	Accumulated profits US\$'000	Total US\$'000			
Balance at 1 September 2015	209,544	13,671	223,215			
Total comprehensive income for the financial period	-	(394)	(394)			
Balance at 30 November 2015	209,544	13,277	222,821			
Balance at 1 September 2016	209,544	16,625	226,169			
Total comprehensive income for the financial period	-	(173)	(173)			
Balance at 30 November 2016	209,544	16,452	225,996			

- 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**

Issuance of 29,500,000 warrants to Ezion Holdings Limited

Each Warrant carrying the right to subscribe for one new ordinary share at US\$0.5626 per share. The Warrants are exercisable commencing on 6 July 2015 and shall expire on 6 July 2018.

As at date of this announcement, no warrant has been exercised.

As at 30 November 2016 and 2015, the Company's total number of issued shares is 324,508,913. 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 number of issued shares is 324,508,913 as at 30 November 2016 (31 August 2016: 324,508,913).

- 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 first quarter ended 30 November 2016 as the most recently audited financial statements for the financial year ended 31 August 2016.

- 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 2016. 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: -

	3 months ended 30 November 2016	3 months ended 30 November 2015
Net profit attributable to owners of the Company (US\$'000)	2,067	6,157
Weighted average number of ordinary shares on issue for calculation of ('000):		
- Basic earnings per share	324,509	324,509
- Diluted earnings per share (^)	324,509	324,509
Earnings per ordinary share ("EPS") (US cents) of the Group:		
(a) Based on the weighted average number of ordinary shares on issue	0.64	1.90
(b) On a fully diluted basis	0.64	1.90

(^) There is no dilutive impact on the earnings from the Warrants issued to Ezion Holdings Limited as the average market price is lower than the exercise price of the warrants.

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 30 November 2016	As at 31 August 2016	As at 30 November 2016	As at 31 August 2016
Net asset value per ordinary share (US cents)	69.52	68.90	69.64	69.70

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**

REVIEW OF PERFORMANCE:

Revenue

Group's revenue increased by US\$13.1 million (17%) for the three months ended 30 November 2016 ("1Q17") when compared to the corresponding period for the three months ended 30 November 2015 ("1Q16").

The increase was mainly due to:

- (i) Contributions from two units of multi-purpose support vessels ("MPSVs"), three units of chemical tanker, four units of escort tugs, one unit of scientific research vessel and two units of oil tankers during the financial period; and
- (ii) Contribution from Strategic Marine Group for the construction of aluminium crew boats and wind farm vessels.

The increase was partially offset by absence of contribution from one unit of SEU – BH320 which was delivered during FY16 and lower contribution from four units of SEU which were at near completion stage as at end of 1Q17. Contributions from all these five units of SEU, collectively, were material during 1Q16.

REVIEW OF PERFORMANCE (CONT'D):

Gross profit

The decrease in gross profit in 1Q17 from its comparative period was mainly due to lower gross profit margins resulting from different mix of projects and competitive market environment.

Other income, net

Other income increased from US\$0.1 million in 1Q16 to US\$0.4 million in 1Q17, mainly due to exchange differences.

Administrative expenses

Administrative expenses increased from US\$6.6 million in 1Q16 to US\$7.3 million in 1Q17, mainly due to increase in expenses related to maintenance of plant and equipment.

Financial expenses

Financial expenses increased from US\$1.1 million in 1Q16 to US\$1.6 million in 1Q17, mainly due to higher amount of loan drawdowns to finance the working capital of the on-going projects.

Profit before tax

Profit before tax for 1Q17 decreased by US\$5.0 million (72%) compared to 1Q16. The decrease was mainly due to lower gross profit generated and higher administrative expenses and financial expenses incurred during the financial period.

Tax

Tax credit for 1Q17 was US\$0.1 million, as compared with tax expense of US\$0.9 million in 1Q16, mainly resulting from an adjustment of overprovision of tax payable in the prior year.

REVIEW OF STATEMENT OF FINANCIAL POSITION AND CASH FLOWS:

Non-current assets

The decrease in non-current assets was mainly due to depreciation charged during the financial period. The decrease was partially offset by purchase of operating equipment and upgrade of facilities at two of the yards in Vietnam and additions of the development cost of intangible assets.

Current assets

The increase in current assets was mainly due to:

- (i) Increase in inventories and work-in-progress reflecting higher stockholding for the on-going shipbuilding and fabrication projects;
- (ii) Increase in trade receivables, mainly due to progress revenue recognised on the on-going projects; and
- (iii) Increase in other receivables arising from higher amount of value added tax claimable for purchase of materials and equipment in Vietnam.

The above increases were partially offset by decrease in amount due from related companies, mainly due to payment received and cash pledged.

REVIEW OF STATEMENT OF FINANCIAL POSITION AND CASH FLOWS (CONT'D):

Current liabilities

The increase in current liabilities was mainly due to:

- (i) Increase in trade payables as a result of purchase of materials and equipment for the on-going projects;
- (ii) Increase in other payables, mainly due to higher advance billings to customers and accruals for costs of certain equipment delivered during the financial period;
- (iii) Increase in amount due to related companies in relation to services rendered to the Group; and
- (iv) Increase in bills payable to banks and bank term loans to fund working capital for the on-going shipbuilding and fabrication projects.

Non-current liabilities

No material change in 1Q17 from its comparative period.

Equity

The increase in shareholders' equity was mainly due to net profit generated during the financial period.

Cash flows

The Group recorded net cash outflow from operating activities of US\$23.3 million in 1Q17, mainly due to:

- (i) Net increase in inventories and work-in-progress reflecting higher stockholding for the on-going shipbuilding and fabrication projects;
- (ii) Net increase in trade receivables, mainly due to progressive revenue recognised during the financial period; and
- (iii) Net increase in other current assets resulting from downpayment payments made to suppliers.

The above were partially offset by:

- (i) Net decrease in amount due from related companies, mainly due to payment received; and
- (ii) Net increase in trade and other payables as a result of purchase of materials and equipment for the on-going projects and increase in advance billings to customers.

Net cash generated from investing activities was US\$7.9 million in 1Q17, mainly due to decrease in cash pledged. This was offset by the purchase of operating equipment and upgrade of the facilities at two of the yards in Vietnam and purchase of intangible assets.

Net cash generated from financing activities was US\$15.2 million in 1Q17, as a result of net loan drawdown for working capital.

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) increased from 0.60 to 0.66 times, in 1Q17 compared to FY16. Approximately 96% of the Group borrowings as at 30 November 2016 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**

Over the past 12-18 months, the Group has successfully diversified its clientele base and expanded its product offerings beyond Oil and Gas (“O&G”) related assets. This resulted in new product lines being added to its orderbook, such as the chemical tanker, scientific research vessel, windfarm crew transfer vessel and LNG-powered aluminium catamaran. TRIYARDS’ primary business segment remains focused on fabricating assets for the full O&G value chain – construction and production, as well as decommissioning, inspection and maintenance of offshore infrastructure servicing the existing offshore fields – thereby also enabling TRIYARDS’ products to stay relevant in this difficult market. The Group continues to see interest in its offerings with its diversification strategy initiated despite the current challenging O&G environment.

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 21 December 2016, is as follows.

Name of interested person	Aggregate value of all interested person transactions during first quarter of FY2017 (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 first quarter of FY2017 (excluding transactions less than US\$100,000)
	US\$'000	US\$'000
<u>Revenue (Recognised)</u>		
Emas Offshore Services Pte Ltd	173	1,546
<u>Purchase of Goods and Services</u>		
Ezra Holdings Limited	—	204
EMAS IT Solutions Pte Ltd	—	136
Ezra Marine Services Pte Ltd	564	79
Emas Offshore Pte Ltd	—	310

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors and executive officers.

**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 first quarter ended 30 November 2016 to be false or misleading.

On behalf of the Board of Directors



**Lee Kian Soo
Chairman (Non-Executive)**

6 January 2017



**Lim Kuan Meng
Independent Director**