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

Financial Statements And Dividend Announcement
For the Second Quarter ended 29 February 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.

(Amounts expressed in United States dollars)

CONSOLIDATED INCOME STATEMENT

	Group 3 months ended			Group 6 months ended		
	29 February 2016 US$'000	28 February 2015 US$'000	Incr/ (decr) %	29 February 2016 US$'000	28 February 2015 US$'000	Incr/ (decr) %
Revenue	70,485	61,106	15	148,610	117,805	26
Cost of sales	(55,728)	(47,434)	17	(119,257)	(91,122)	31
Gross profit	14,757	13,672	8	29,353	26,683	10
Other (expenses)/income, net	(656)	414	nm	(591)	744	nm
Administrative expenses	(7,104)	(6,727)	6	(13,753)	(13,403)	3
Profit from operations	6,997	7,359	(5)	15,009	14,024	7
Negative goodwill	-	-	-	-	3,881	(100)
Financial income	44	2	nm	160	9	nm
Financial expenses	(1,166)	(1,713)	(32)	(2,282)	(3,067)	(26)
Profit before tax	5,875	5,648	4	12,887	14,847	(13)
Tax	(593)	(547)	8	(1,448)	(1,522)	(5)
Profit after tax, attributable to owners of the Company	5,282	5,101	4	11,439	13,325	(14)

nm – not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group 3 months ended			Group 6 months ended		
	29 February 2016 US$'000	28 February 2015 US$'000	Incr/ (decr) %	29 February 2016 US$'000	28 February 2015 US$'000	Incr/ (decr) %
Profit after tax	5,282	5,101	4	11,439	13,325	(14)
Other comprehensive income:						
Exchange differences on translating foreign operations	54	(182)	nm	49	(362)	(114)
Fair value changes on cash flow hedges	63	-	nm	313	-	nm
Other comprehensive income for the financial period, net of tax	117	(182)	nm	362	(362)	nm
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD, ATTRIBUTABLE TO OWNERS OF THE COMPANY	5,399	4,919	10	11,801	12,963	(9)

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

	Group 3 months ended			Group 6 months ended		
	29 February 2016 US$'000	28 February 2015 US$'000	Incr/ (decr) %	29 February 2016 US$'000	28 February 2015 US$'000	Incr/ (decr) %
Depreciation of fixed assets	(2,865)	(3,065)	(7)	(5,761)	(5,826)	(1)
(Loss)/gain on disposal of fixed assets	(659)	23	nm	(659)	24	nm
Fixed assets written off	-	(2)	nm	-	(2)	nm
Amortisation of intangible assets	-	-	-	(155)	-	nm
Interest income	44	2	nm	160	9	nm
Exchange (loss)/gain, net	(140)	162	nm	(168)	320	nm
Provisional negative goodwill on acquisition of subsidiaries*	-	-	-	-	3,881	nm

* The provisional negative goodwill was subsequently finalised in 4Q FY2015 at US$3.6 million.

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	
	29 February 2016 US$'000	31 August 2015 US$'000	29 February 2016 US$'000	31 August 2015 US$'000
Non-current assets				
Fixed assets	135,112	138,319	-	-
Intangible assets	8,292	8,370	-	-
Investments in subsidiaries	-	-	182,468	182,468
Available-for-sale ("AFS") investments	37	37	-	-
Deferred tax assets	312	699	-	-
Current assets				
Inventories and work-in-progress	59,846	51,703	-	-
Trade receivables	178,819	148,435	-	-
Other receivables	7,892	7,942	9	7
Other current assets	28,004	20,664	2,359	236
Derivative financial instruments	187	177	-	-
Balances due from				
- subsidiaries	-	-	40,216	44,670
- ultimate holding company	47	1,363	38	38
- related companies	9,683	9,001	420	420
- affiliated companies	17	-	-	-
Cash and cash equivalents	38,588	40,523	631	78
Cash pledged	30,736	2,938	-	-
	353,819	282,746	43,673	45,449
Current liabilities				
Trade payables	26,664	31,450	-	-
Other payables	83,158	75,669	598	593
Balances due to				
- subsidiaries	-	-	5,527	4,109
- ultimate holding company	2,168	734	-	-
- related companies	1,700	2,968	-	-
- affiliated companies	470	893	-	-
Derivative financial instruments	133	126	-	-
Bills payable to banks	52,054	39,316	-	-
Lease obligations	22	351	-	-
Bank term loans	91,990	49,111	-	-
Provision for tax	3,275	3,340	-	-
	261,634	203,958	6,125	4,702
Net current assets	92,185	78,788	37,548	40,747
Non-current liabilities				
Lease obligations	(49)	(1,121)	-	-
Bank term loans	(15,271)	(14,221)	-	-
Deferred tax liabilities	(2,696)	(2,458)	-	-
NET ASSETS	217,922	208,413	220,016	223,215
EQUITY				
Share capital	209,544	209,544	209,544	209,544
Accumulated profits	188,613	179,466	10,472	13,671
Merger reserve	(179,347)	(179,347)	-	-
Translation reserve	(1,075)	(1,124)	-	-
Hedging reserve	187	(126)	-	-
TOTAL EQUITY	217,922	208,413	220,016	223,215

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

	29 February 2016		31 August 2015	
	Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
Amount repayable in one year or less, or on demand	95,641	48,425	54,387	34,391
Amount repayable after one year	12,337	2,983	14,191	1,151

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, first ranking security over the earnings account vessel under construction 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

(Amounts expressed in United States dollars)

	Group		Group	
	3 months ended 29 February 2016 US$'000	3 months ended 28 February 2015 US$'000	6 months ended 29 February 2016 US$'000	6 months ended 28 February 2015 US$'000
Cash flows from operating activities				
Profit before tax	5,875	5,648	12,887	14,847
Adjustments:				
Depreciation of fixed assets	2,865	3,065	5,761	5,826
Loss/(gain) on disposal of fixed assets	659	(23)	659	(24)
Fixed assets written off	-	2	-	2
Amortisation of intangible assets	-	-	155	-
Unrealised exchange (gain)/loss	(43)	349	74	59
Interest expense	1,166	1,713	2,282	3,067
Interest income	(44)	(2)	(160)	(9)
Negative goodwill on acquisition of subsidiaries	-	-	-	(3,881)
Operating profit before working capital changes	10,478	10,752	21,658	19,887
(Increase)/decrease in:				
Inventories and work-in-progress	(8,010)	(6,627)	(8,178)	(16,637)
Trade receivables	(36,138)	13,360	(30,384)	34,154
Other receivables and other current assets	(2,400)	(3,921)	(7,290)	(13,704)
Due from ultimate holding company	1,058	-	1,316	1
Due from related companies	207	(7,145)	(682)	(5,561)
Due from affiliated companies	15	5,367	(17)	3,492
Increase/(decrease) in:				
Trade payables	2,047	2,901	(4,518)	(15,588)
Other payables	8,953	7,211	7,388	25,561
Due to ultimate holding company	2,142	326	1,434	301
Due to related companies	(1,347)	(3,448)	(1,268)	514
Due to affiliated companies	(251)	156	(423)	156
Cash (used in)/generated from operations	(23,246)	18,932	(20,964)	32,576
Interest paid	(1,166)	(1,713)	(2,282)	(3,067)
Interest income received	44	2	160	9
Tax paid	(902)	(2,190)	(791)	(3,965)
Net cash (used in)/generated from operating activities	(25,270)	15,031	(23,877)	25,553
Cash flows from investing activities				
Purchase of fixed assets	(2,982)	(1,419)	(6,544)	(5,882)
Additions to intangible assets	(1)	-	(77)	-
Proceeds from disposal of fixed assets	3,413	30	3,413	32
Increase in cash pledged	(12,633)	-	(27,798)	-
Acquisition of subsidiaries, net of cash paid	-	-	-	(15,656)
Net cash used in investing activities	(12,203)	(1,389)	(31,006)	(21,506)
Cash flows from financing activities				
Proceeds from lease financing	-	-	-	1,931
Repayment of lease obligations	(1,301)	(89)	(1,388)	(182)
Proceeds from issuance of placement shares, net of transaction costs	-	-	-	15,742
Proceeds from bank term loans and bills payable to banks	89,834	31,738	139,403	86,082
Repayment of bank term loans and bills payable to banks	(42,606)	(57,351)	(82,799)	(107,698)
Dividends paid on ordinary shares	(2,292)	(2,480)	(2,292)	(2,480)
Net cash generated from/(used in) financing activities	43,635	(28,182)	52,924	(6,605)
Net increase/(decrease) in cash and cash equivalents	6,162	(14,540)	(1,959)	(2,558)
Effects of exchange on cash and cash equivalents	7	(318)	24	(390)
Cash and cash equivalents at beginning of financial period	32,419	34,689	40,523	22,779
Cash and cash equivalents at end of financial period	38,588	19,831	38,588	19,831

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**	**Hedging reserve US$'000**	**Total equity attributable to owners of the Company US$'000**
Group						
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
Balance at 1 September 2015	209,544	179,466	(179,347)	(1,124)	(126)	208,413
Total comprehensive income for the financial period	-	11,439	-	49	313	11,801
Dividends on ordinary shares, representing total transactions with owners in their capacity as owners	-	(2,292)	-	-	-	(2,292)
Balance at 29 February 2016	209,544	188,613	(179,347)	(1,075)	187	217,922

Company	**Attributable to owners of the Company**		
	Share capital US$'000	**Accumulated profits US$'000**	**Total Equity US$'000**
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
Balance at 1 September 2015	209,544	13,671	223,215
Total comprehensive income for the financial period	-	(907)	(907)
Dividends on ordinary shares, representing total transactions with owners in their capacity as owners	-	(2,292)	(2,292)
Balance at 29 February 2016	209,544	10,472	220,016

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 29 February 2016, the Company's total number of issued shares is 324,508,913 (28 February 2015: 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 29 February 2016 (31 August 2015: 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 second quarter ended 29 February 2016 as the most recently audited financial statements for the financial year ended 31 August 2015 ("FY15").

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 2015. 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 29 February 2016	6 months ended 28 February 2015
Net profit attributable to owners of the Company (US$'000)	11,439	13,325
Weighted average number of ordinary shares on issue for calculation of ('000):		
- Basic earnings per share	324,509	319,945 (*)
- Diluted earnings per share (^)	324,509	319,945 (*)
Earnings per ordinary share ("EPS") (US cents) of the Group:		
(a) Based on the weighted average number of ordinary shares on issue	3.53	4.16
(b) On a fully diluted basis	3.53	4.16

(*) The weighted average number of ordinary shares for the period ended 28 February 2015 includes the 29,500,000 new ordinary shares issued pursuant to a private placement on 29 September 2014.

(^) There is no dilutive impact on the earnings from the Warrants issued to Ezion Holdings Limited.

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 29 February 2016	As at 31 August 2015	As at 29 February 2016	As at 31 August 2015
Net asset value per ordinary share (US cents)	67.15	64.22	67.80	68.79

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$30.8 million (26%) for the six months ended 29 February 2016 ("1H16") and US$9.4 million (15%) for the three months ended 29 February 2016 ("2Q16") respectively, when compared to the corresponding periods for the six months ended 28 February 2015 ("1H15") and three months ended 28 February 2015 ("2Q15").

The increases in 1H16 and 2Q16 were mainly due to:

(i) Contributions from four units of self-elevating units ("SEUs"), two units of multi-purpose support vessels ("MPSVs") and three units of chemical tanker during the financial period;
(ii) Contribution from Strategic Marine Group for the construction of aluminium crew boats and wind farm vessels; and
(iii) Certain industrial and offshore fabrication projects.

The increases were partially offset by absence of contribution from two units of SEU – one BH450 and one BH335, which were delivered during FY15 and lower contribution from two units of BH335 and one unit of BH300 which were at near completion stage as at end of 2Q16. Contributions from all these five units of SEU, collectively, were material during 1H15 and 2Q15.

Gross profit

The increase in gross profit in 1H16 and 2Q16 from its comparative periods were mainly due to increase in revenue as explained above. This was partially offset by lower gross profit margins resulting from different mix of projects.

Other (expenses)/income, net

Other expenses for 1H16 and 2Q16 were US$0.6 million and US$0.7 million respectively, as compared with other income of US$0.7 million and US$0.4 million in 1H15 and 2Q15. These expenses were contributed mainly by exchange differences and loss on disposal of one of the properties in Houston.

Administrative expenses

No material changes in 1H16 and 2Q16 from its comparative periods.

Financial expenses

Financial expenses for 1H16 and 2Q16 decreased by US$0.8 million (26%) and US$0.5 million (32%) respectively, compared to 1H15 and 2Q15. The decreases were mainly due to timing difference between drawdown and repayment of the loans during the financial periods.

Negative goodwill

For 1H15, there was a provisional non-recurring negative goodwill amounting to US$3.9 million which arose from the acquisition of Strategic Marine Group as announced in October 2014. The provisional negative goodwill was subsequently finalised in 4Q FY2015 at US$3.6 million.

REVIEW OF PERFORMANCE (CONT'D):

Profit before tax

6 months ended 29 February 2016 ("1H16")

Profit before tax for 1H16 decreased by US$2.0 million (13%) compared to 1H15. However, if the non-recurring item of the negative goodwill is excluded, profit before tax would have increased by US$1.9 million (18%) compared to 1H15.

3 months ended 29 February 2016 ("2Q16")

Profit before tax for 2Q16 increased marginally by US$0.2 million (4%) compared to 2Q15. The increase was mainly due to increase in gross profit, offset by higher administrative expenses, foreign exchange loss and the loss on disposal of one of the properties in Houston.

Tax

The lower tax expenses for 1H16 and 2Q16 were due to lower profit before tax.

REVIEW OF STATEMENT OF FINANCIAL POSITION AND CASH FLOWS:

Non-current assets

The decrease in non-current assets was mainly due to disposal of one of the properties in Houston and depreciation charged during the financial period. Disposal of the property in Houston is as part of the asset optimisation plan and is not expected to have any negative impact on the existing production capacity of the Group.

This was partially offset by purchase of operating equipment and upgrade of facilities at two of the yards in Vietnam.

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 projects;
(ii) Increase in trade receivables, mainly due to progress billings on the on-going projects;
(iii) Increase in other current assets, mainly as a result of downpayment made to certain suppliers with regards to procurement of equipment for the projects; and
(iv) Increase in cash pledged, resulting from part of the security conditions for the issuance of refund guarantees by banks to customers, pursuant to the ship building contracts signed.

Current liabilities

The increase in current liabilities was mainly due to:-

(i) Increase in bills payable to banks and bank term loans to fund working capital for the on-going shipbuilding and fabrication projects; and
(ii) Increase in other payables resulting from increase in advance billings to customers as well as cost accrued for the on-going projects during the financial period.

The above increases were partially offset by payments made to supplier.

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

Non-current liabilities

The net increase in non-current liabilities was mainly due to increase in bank term loans, offset by repayment of lease obligations during the financial period.

Equity

The increase in shareholders' equity was mainly due to net profit generated during the financial period. This was partially offset by dividends paid during the financial period.

Cash flows

The Group recorded net cash outflow from operating activities of US$23.9 million and US$25.3 million in 1H16 and 2Q16 respectively, 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; and
(iii) Net increase in other current assets resulting from advance payments made to suppliers.

The above were partially offset by increase in other payables, mainly as a result of increase in advance billings to customers.

Net cash used in investing activities was US$31.0 million and US$12.2 million in 1H16 and 2Q16 respectively, spent mainly for the purchase of operating equipment and upgrade of the facilities at two of the yards in Vietnam and increase in cash pledged as explained above. This was partially offset by proceeds from disposal of one of the properties in Houston.

Net cash generated from financing activities was US$52.9 million and US$43.6 million in 1H16 and 2Q16 respectively, as a result of net loan drawdown. This was partially offset by dividends paid during the financial period.

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 0.31 to 0.55 times, in 2Q16 compared to FY15. Approximately 94% of the Group borrowings as at 29 February 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

Weakened oil prices since the beginning of 2015 had led to reduction or postponement of oil & gas ("O&G") 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. Adapting to the market situation, the Group has made its conscientious effort, over the past 12 months, to diversify its clientele base as well as to expand its product offering beyond O&G related assets, such as chemical tanker, scientific research vessel and windfarm crew transfer vessel. Notwithstanding the increase in competition and challenging industry environment, the Group sees continued interest in its offerings.

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/recommended, 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 16 December 2015, is as follows.

Name of interested person	Aggregate value of all interested person transactions during second quarter of FY2016 (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 second quarter of FY2016 (excluding transactions less than US$100,000)
	US$'000	US$'000
Revenue (Recognised)		
Emas Offshore Services Pte Ltd	194	206
London Marine Consultants Limited	–	4,400
Emas-AMC Pte Ltd	145	–
Purchase of Goods and Services		
Ezra Holdings Ltd	–	546
EMAS IT Solutions Pte Ltd	–	266
Ezra Marine Services Pte Ltd	1,150	–

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 second quarter ended 29 February 2016 to be false or misleading.

On behalf of the Board of Directors

Lee Kian Soo
Chairman (Non-Executive)

Lim Kuan Meng
Independent Director

7 April 2016