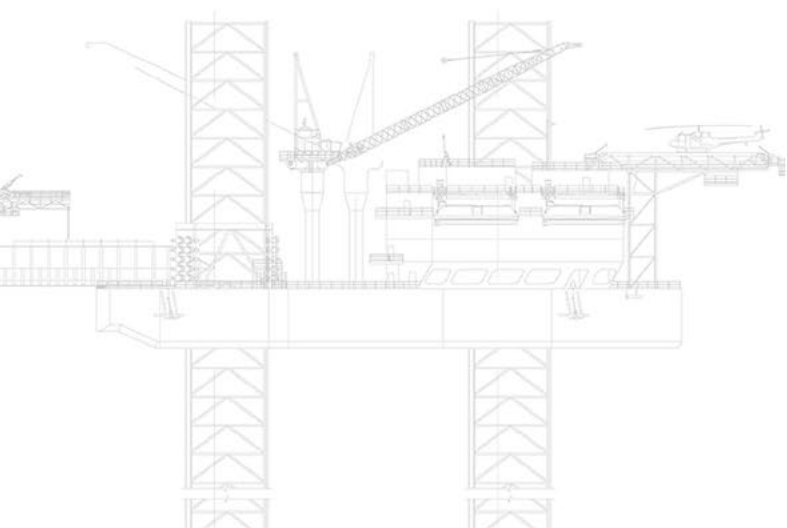
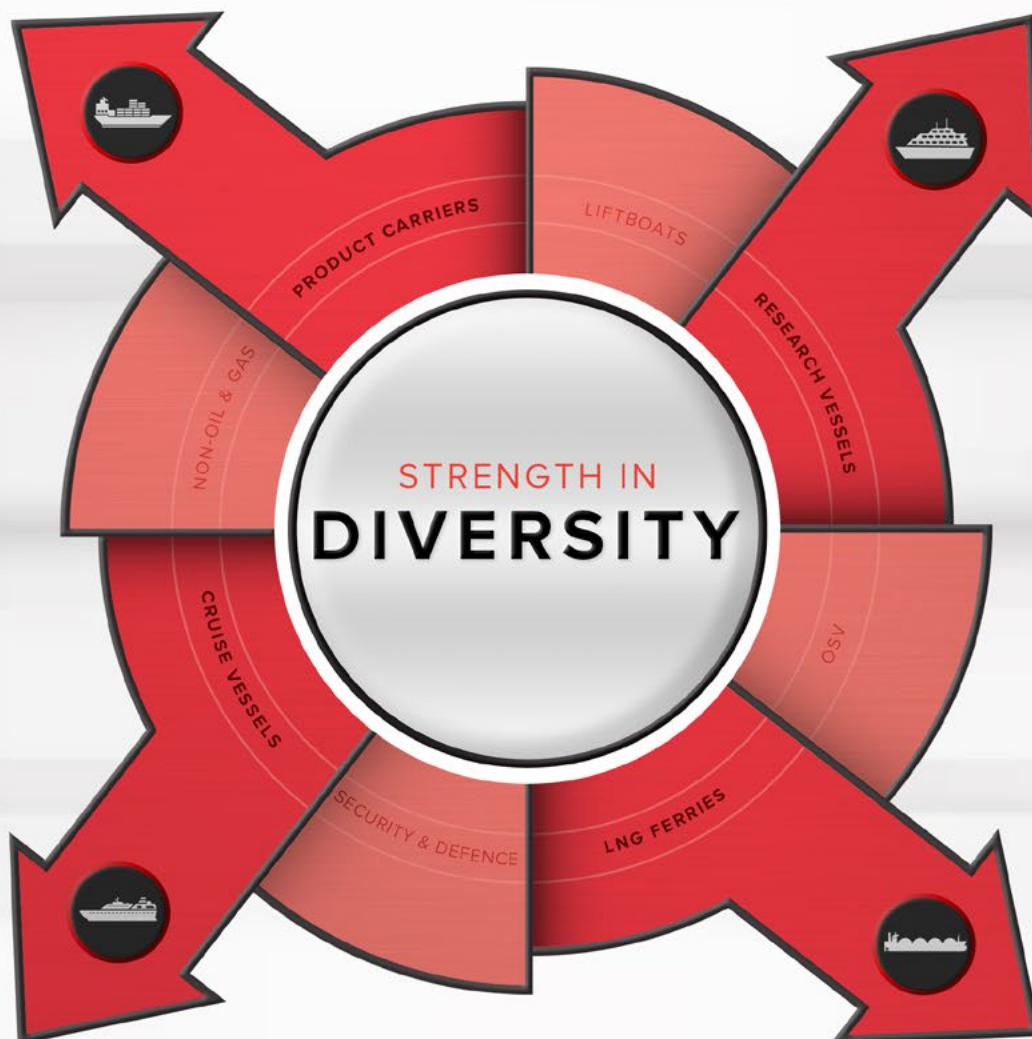
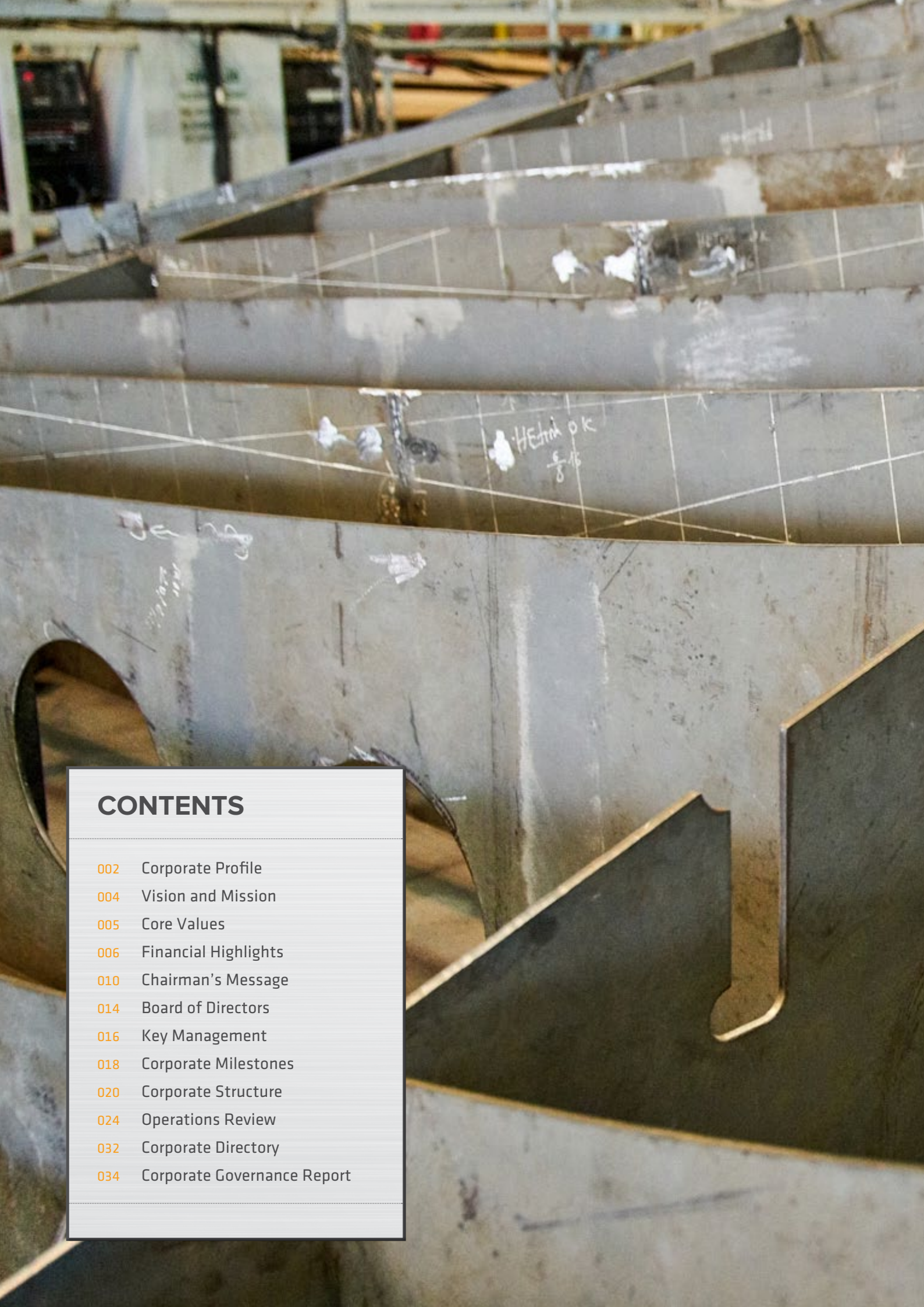






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CORPORATE PROFILE

TRIYARDS Holdings Limited (“TRIYARDS” or “the Company”) provides integrated full-service engineering, fabrication and ship construction solutions for the global offshore and marine industry. The Company has a keen focus on shipbuilding, ship conversions, medium to heavy fabrication works and ship repairs. Over the years, TRIYARDS has diversified its offerings from offshore support vessels and liftboats to include research vessels, aluminium built security vessels, chemical tankers and windfarm service vessels.

The Company has established an astute track record for building sophisticated vessels that can tackle complex offshore projects in a cost effective and timely manner. Having already established itself as one of the global leaders in the fabrication and construction of liftboats, the company continues to build depth in specialised niches with its liftboats as well as breadth of product offerings with a diversification towards projects in the other specialized shipping niches.

TRIYARDS Vietnam facility, Saigon Offshore Fabrication and Engineering Ltd (“SOFEL”) has recently been accorded the API-2C Monogram Certificate for crane manufacturing set by the American Petroleum Institute (API). It is the first such facility in Vietnam to receive this certificate and recognises the Company’s expanded expertise in offshore crane fabrication.

The Company is headquartered in Singapore and has been listed on the Mainboard of the Singapore Stock Exchange since 2012. Guided by its three core values of being Dynamic, Distinctive and Dedicated, TRIYARDS seeks to fulfil its vision of being the yard of choice across the globe.





VISION AND MISSION



VISION

Our vision is to be the globally preferred engineering, vessel construction, and fabrication solutions partner, delivering value to all our stakeholders.



MISSION

Our mission is to create and enhance value for our clients by consistently upholding high quality and safety standards with on-time and on-budget project delivery.

CORE VALUES



DYNAMIC

We are driven by excellence. With our vast network, experience and proven capabilities, we are able to identify and adapt to changing market needs in a timely and opportunistic manner.

DISTINCTIVE

We set ourselves apart through integrity, professionalism and high service standards. We regard our clients as partners, working closely to find bespoke and innovative solutions to address their needs, earning trust by delivering projects safely, on time and on budget.



DEDICATED

We are committed to quality and sustainability. Along with continuous improvement in our processes and investment in our people, we strive to uphold industry best practices in health, safety and the environment.



FINANCIAL HIGHLIGHTS





REVENUE

US\$324.9M

GROSS PROFIT

US\$55.4M

PATMI

US\$17.8M

SHAREHOLDERS' FUND

US\$223.6M

FIXED ASSETS

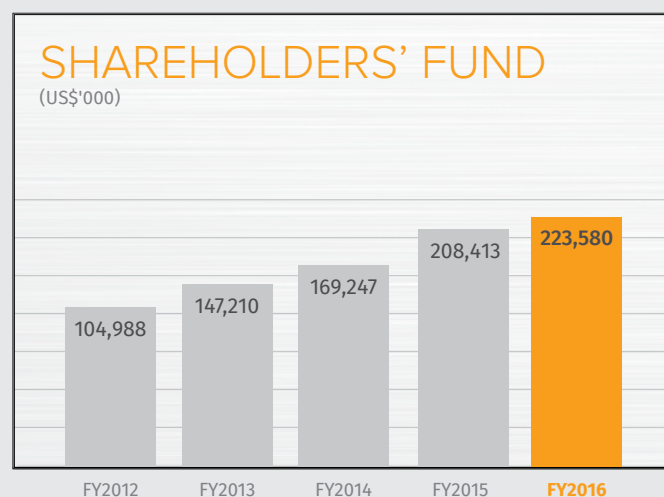
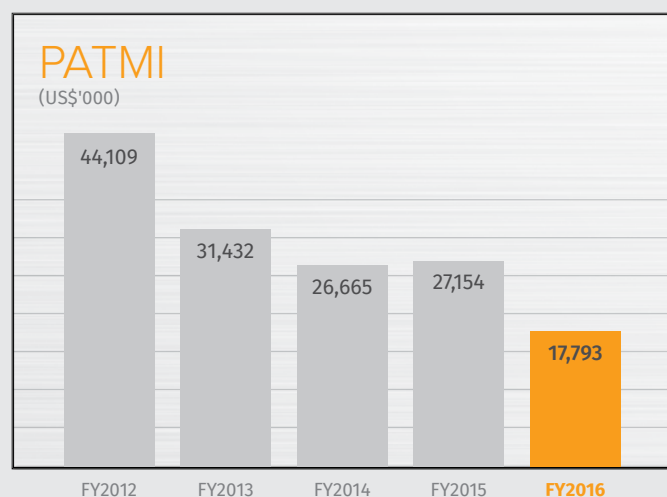
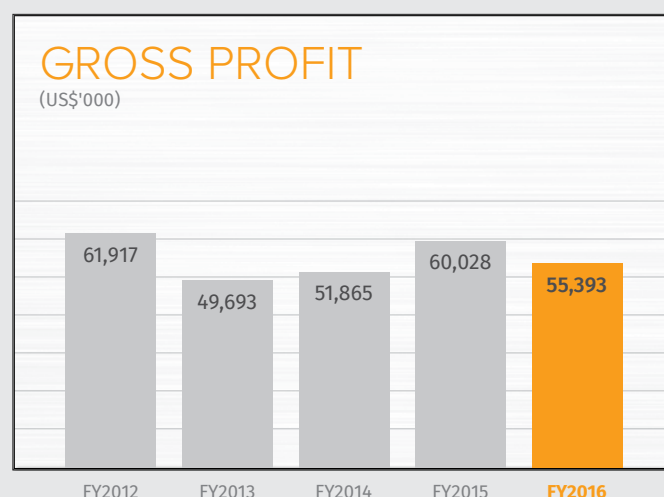
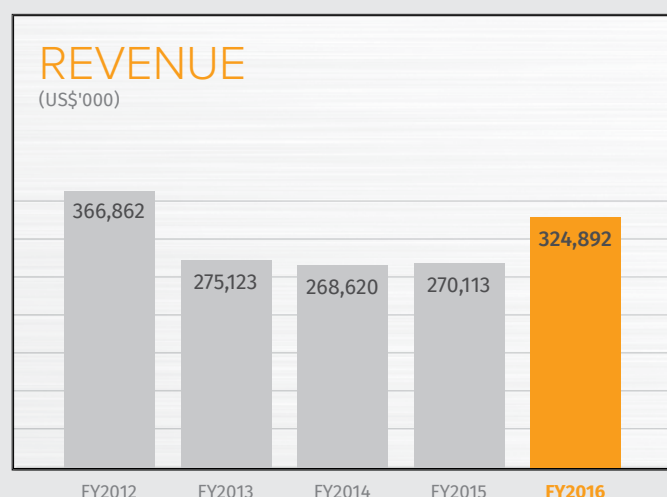
US\$137.6M

FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

US\$'000	FY2012	FY2013	FY2014	FY2015	FY2016
Revenue	366,862	275,123	268,620	270,113	324,892
Gross Profit	61,917	49,693	51,865	60,028	55,393
PATMI	44,109	31,432	26,665	27,154	17,793
Shareholders' Fund	104,988	147,210	169,247	208,413	223,580

PATMI - Profit after tax Attributable to owners of the Company.



REVENUE AND PROFIT

TRIYARDS recorded a revenue of US\$324.9 million for the financial year ended 31 August 2016 ("FY16"), an increase of 20% compared with the previous financial year, with the Group venturing into the fabrication of vessels beyond the offshore oil and gas industry and the penetration of new geographical markets. In aggregate, Asia and Europe contributed 80% of total FY16 revenues. As a result of the Group's strategy to diversify its client base across geographies, contribution from the Other Countries segment increased by 140% to reach US\$63.5 million in FY16. The order backlog stands at US\$422 million. However, gross profit decreased by 8% due to a different mix of projects.

The Group ended FY16 with net attributable profit of US\$17.8 million.

CASH FLOW AND FINANCIAL POSITION

The Group recorded net cash outflow from operating activities of US\$30.1 million in FY16, mainly due to increase in spending for working capital for the shipbuilding and fabrication projects.

Net cash used in investing activities was US\$38.1 million in FY16, mainly for the purchase of operating equipment and upgrade of the two facilities in Vietnam, additions of intangible assets and increase in cash pledged. This was partially offset by proceeds from disposal of one of the properties in Houston.

Net cash generated from financing activities was US\$43.1 million in FY16, as a result of net loan drawdown for working capital and capital expenditure of US\$45.4 million, offset by dividend payment of US\$2.3 million.



Overall, the Group ended FY16 with cash and cash equivalents balance of US\$15.6 million.

There was an increase of non-current assets of US\$2.3 million, mainly due to purchase of operating equipment and upgrade of the two facilities in Vietnam and additions of intangible assets. The increases were partially offset by disposal of one of the properties in Houston, allowance for impairment of Houston facilities and depreciation charged during the financial year. Disposal of the property in Houston was as part of the asset optimisation plan and is not expected to have any negative impact on the existing production capacity of the Group.

The Group registered an increase in net current assets and borrowings, in line with most of the major projects secured in FY15 and early part of FY16 which have reached advanced stage of construction.

A net increase in equity was a result of profit generated, which was partially offset by dividends paid during the financial year.

CHAIRMAN'S MESSAGE



Over the past year, we have progressed with our diversification efforts. While the offshore oil and gas sector remains weak, we have managed to mitigate this by going into other product lines.

Dear Shareholders,

The year 2016 has been a very muted year for the offshore oil and gas industry. While there has been signs of oil price recovery, the improvement has been very gradual, and not without volatility. Demand for offshore support assets by owners remain depressed.

Amidst such a backdrop, I am grateful to report that TRIYARDS has managed to improve our revenue to US\$324.9 million for the financial year. This is a 20% increase over last year. Our orderbook stands at US\$422 million. This is the result of a diversification strategy that we undertook since our listing in 2012, the effort of our team to implement the strategy, and last but not least, our reputation and track record as a leading liftboat builder and provider of engineering and fabrication services in the region.

Mr Lee Kian Soo
Chairman

YEAR IN REVIEW

We made a few notable deliveries in FY16, namely one liftboat, the turret for the FPSO Libra as well as non pressure parts for the HRSG Pengerang. Net attributable profit ("PATMI") fell to US\$17.8 million from its corresponding period mainly due to lower gross profit margins resulting from different mix of projects, allowance for impairment of Houston facilities amounting to US\$1.7 million and an absence of non-recurring negative goodwill amounting to US\$3.6 million recognised in FY15.

There has also been an increase in borrowing, which is a consequence of most of the major projects secured in FY15 having reached advanced stages of construction.

STRENGTH IN DIVERSITY

Over the past year, we have progressed with our diversification efforts. While the offshore oil and gas sector remains weak, we have managed to mitigate this by going into other product lines. I am delighted that we now have new clients who seek our services for new products. In the year, we have received orders for chemical tankers, oil tankers, a research vessel, luxury vessels, and even LNG ferries. I am especially pleased to note that the order for the LNG ferries comes from Strategic Marine's (our subsidiary company) focus on the large ferry market. We believe that there will be an increased focus in the environmental aspects of marine transportation and LNG emerging as the fuel of choice for vessels and ferries, so this win has been important for building our track record in this area.

Yet, as articulated in our strategic plan in 2012, we have not neglected to deepen our expertise in the area of liftboat fabrication. We have diversified our product range in this area, and we offer a variety of models, from three to four legged liftboats, with either lattice or tubular leg designs. This has given

our product range a versatility that enables our liftboats to work in various sea conditions from Asia to the Middle East.

As mentioned, this year, we have delivered one liftboat, boosting the total number of liftboats to date to ten, and with six more to deliver.



CHAIRMAN'S MESSAGE



In October this year, TRIYARDS Vietnam facility, SOFEL was awarded the American Petroleum Institute's (API) API-2C Monogram Certificate. API grants the API-2C Monogram Certificate to crane manufacturers that meet a set of specified production criteria. With the API-2C Monogram Certificate, our Vung Tau facility, SOFEL, is given the authority to apply the certification mark to equipment that meets API's product specification requirements. This development will allow us to venture deeper into the fabrication and sale of lifting appliances and products.



One final highlight for the year was the Support Vessel of the Year award won by the *Lewek Constellation* at the prestigious Offshore Support Journal (OSJ) Awards. It is indeed gratifying to have our efforts recognized in such a forum.

OUTLOOK AND STRATEGY

The offshore oil and gas environment will remain challenging in the near future. Nevertheless, our strategy of diversification for TRIYARDS has enabled us to be more resilient – we are no longer dependent on one sector or market for our business.



I would also like to highlight that we will continue to build the aluminium craft arm of TRIYARDS via Strategic Marine. The acquisition, completed just two years ago, allowed us to expand on our diversification strategy.

ACKNOWLEDGMENTS AND APPRECIATION

On behalf of the Board, I would like to thank Ms Loy Juat Boey, who stepped down as Audit Committee Chairperson in December 2015. I would also like to warmly welcome Mr Lim Kuan Meng, who takes over Ms Loy's position.

To our valued customers and business partners, both old and new, I want to express my heartfelt

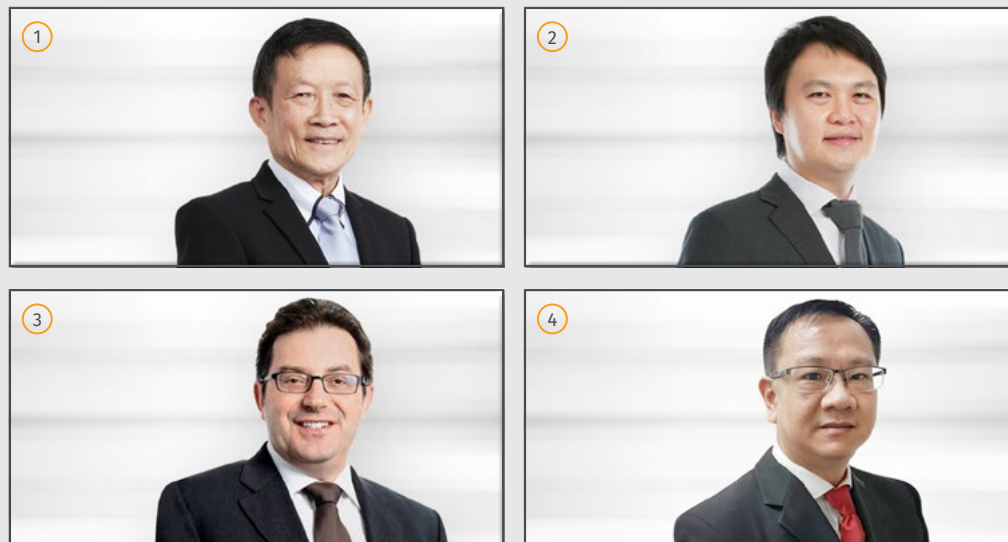
gratitude for your support. I would also like to thank senior management and staff for their hard work and dedication throughout the year. And of course, a big thank you shareholders, for your support.

We look forward to tackling the year ahead with the same gusto and determination which makes TRIYARDS special – a company that is Dynamic, Distinctive and Dedicated.

Mr Lee Kian Soo
Chairman



BOARD OF DIRECTORS



1. Mr. Lee Kian Soo

NON-EXECUTIVE AND NON-INDEPENDENT CHAIRMAN

Mr. Lee was appointed to the Board on 1 May 2015. He is currently the Executive Chairman to Emas Offshore Limited and non-executive and non-independent Chairman of Ezra Holdings Limited. Mr. Lee is one of the founders of the Ezra Group and is instrumental in bringing the Ezra Group to where it is today. He is responsible for the strategic planning, business development and marketing of the Ezra Group since its inception in 1992. Prior to founding the Ezra Group, Mr. Lee worked in various shipyards. Mr. Lee has more than 40 years of experience in the shipping and offshore support services industry.

2. Mr. Soh Chun Bin

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Soh was appointed to the Board on 31 August 2012 and last re-elected on 31 December 2014. Mr. Soh is currently a director of Victoria Medical Beauty Group Pte. Ltd. Prior to that, he held the chief executive positions of a few companies listed on the SGX from July 2012. Prior to joining the corporate world, Mr. Soh was an equity partner at Stamford Law Corporation, specialising in capital markets, mergers and acquisitions for over 12 years.

He has advised on many Singapore and overseas initial public offerings of corporations and real estate investment trusts, including secondary equity and fund raising by such entities. He specialised in cross-border transactions, and has a broad network spanning countries such as China and Indonesia. Mr. Soh has been recognised as a leading lawyer by legal publications such as Chambers and Partners and AsiaLaw. He was a former scholar with a multinational corporation and has a Bachelor of Law (Honours) from the National University of Singapore. Mr. Soh currently holds directorships at a SGX-ST Mainboard listed company, Geo Energy Resources Limited and a SGX-ST Catalist listed company, ISOteam Ltd.

3. Mr. Simon Charles Lockett

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lockett was appointed to the Board on 1 February 2015. He was Chief Executive Officer of Premier Oil Plc, a leading O&G exploration and production company listed on the London Stock Exchange from 2005 until 2014. Prior to joining Premier he worked for Shell in both the Upstream and Chemicals businesses. He has been a member of the British ASEAN Business Council and the Indonesian-British Business Council. Mr. Lockett holds a Masters in Business Administration from the Manchester Business School and a Bachelor of Science degree from Sheffield, United Kingdom. Mr. Lockett is a Non-Executive Director of PICO International based in Egypt and Genel Energy Plc that has oil and gas operations in Kurdistan.

4. Mr. Lim Kuan Meng

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lim was appointed to the Board on 17 December 2015. He is currently the Managing Partner of Pinnacle Partnership LLP and JB Chua & Co, and is also currently an independent non-executive director of Falcon Energy Group Limited. Mr. Lim spent about 18 years in Deloitte & Touche LLP where he was admitted as Partner in 2007 and left the firm in end July 2013. He holds a Bachelor of Accountancy (Merit) from the Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants.

KEY MANAGEMENT



1. Mr. Chan Eng Yew

CHIEF EXECUTIVE OFFICER

Mr. Chan is responsible for the overall management and operations of TRIYARDS Holdings Limited. Before his appointment, he was Chief Financial Officer of EOC Limited (“EOC”), where he actively built its portfolio in financial operations and headed the investor relations and corporate finance departments. He played a significant role in spearheading its listing on the Main Board of the Oslo Stock Exchange in 2007, positioning EOC as the first Singapore company to list there. Mr. Chan holds a Master’s in Business Administration from the University of Louisville in Kentucky and a Master’s in Applied Finance from Macquarie University in New South Wales.

2. Mr. Andrew Mak Yeuw Wah

CHIEF OPERATING OFFICER

Mr. Andrew joined the Group in 2012 from the American Bureau of Shipping, Singapore, where he was employed since 1990. His last held position was Director of Engineering Services. Mr. Andrew was previously with the Republic of Singapore Navy as a Project Engineer from 1988 to 1990 and Singapore Shipbuilding Engineering Pte Ltd as a Ship Repair Estimator from 1983 to 1985. Mr. Andrew holds a Bachelor in Mechanical Engineering (2nd Class Honours) from Nanyang Technological University and a Diploma in Marine Engineering from Singapore Polytechnic.

3. Mr. Yan Naing Aung

CHIEF FINANCIAL OFFICER

Mr. Yan joined Ezra in 2001 as an Accountant and steadily rose up the ranks to Finance Manager, where he was responsible for the preparation of the accounts for the Marine Services division of Ezra. In 2005 and in 2007, Mr. Yan was appointed Deputy General Director of TRIYARDS SSY and TRIYARDS SOFEL respectively, where he was responsible for financial, regulatory, procurement and administrative matters, including internal controls. Mr. Yan is a Chartered Accountant of Singapore and is a Fellow of the Association of Chartered Certified Accountants, UK.

4. Mr. Jeffrey Ong Ah Koon

GENERAL MANAGER

Mr. Ong joined Ezra in 2004 as a technical superintendent. Having proved his mettle on the ground, he was promoted to project manager in 2006, and became general manager of TRIYARDS SOFEL and TRIYARDS SSY in 2010. Before joining Ezra, he was a technical superintendent at Agensea. Previously, he was a hull engineer at Hitachi Zosen (S) and then a technical manager at North Shipyard. Mr. Ong holds a Diploma in Shipbuilding and Offshore Engineering from Ngee Ann Polytechnic.

5. Mr. Richard A. Altman

GENERAL MANAGER & SENIOR VICE PRESIDENT GLOBAL BUSINESS DEVELOPMENT

Mr. Altman joined in 2012 and heads the TRIYARDS facility in Houston, as well as global business development for the Group. He brings with him more than 30 years of experience with global onshore and offshore operations, extensive expertise in field operations, engineering and production optimisation - all these while establishing relationships with international oil and gas businesses.

Before joining TRIYARDS, he was the Founder, President and Chief Operating Officer of his own entrepreneurial venture, Remedial Offshore. He incorporated the company and raised sufficient funds (US\$350 million) for its successful listing on the Oslo Stock Exchange under the call letters "ROFF". Remedial Offshore was first to introduce to the international market, a high specification, self-elevating, self-propelled unit, called the ESV, targeting working water depths in excess of 100 metres; this preceded the now commonly referred to American Bureau of Shipping (ABS) category "SEU". Following that, he was senior vice president of engineering and construction at R360 Environmental Solutions. He attended the University of Pittsburgh where he majored in Engineering.

CORPORATE MILESTONES



20 OCT 2015

US\$88m Revenue &
US\$100m order wins with
3 chemical tankers

10 APR 2016

Strategic Marine Secures
Euro 44m Contract

8 JUL 2016

Lifts 9MFY16 Revenue By 27%
With A PATMI Of US\$15.6m

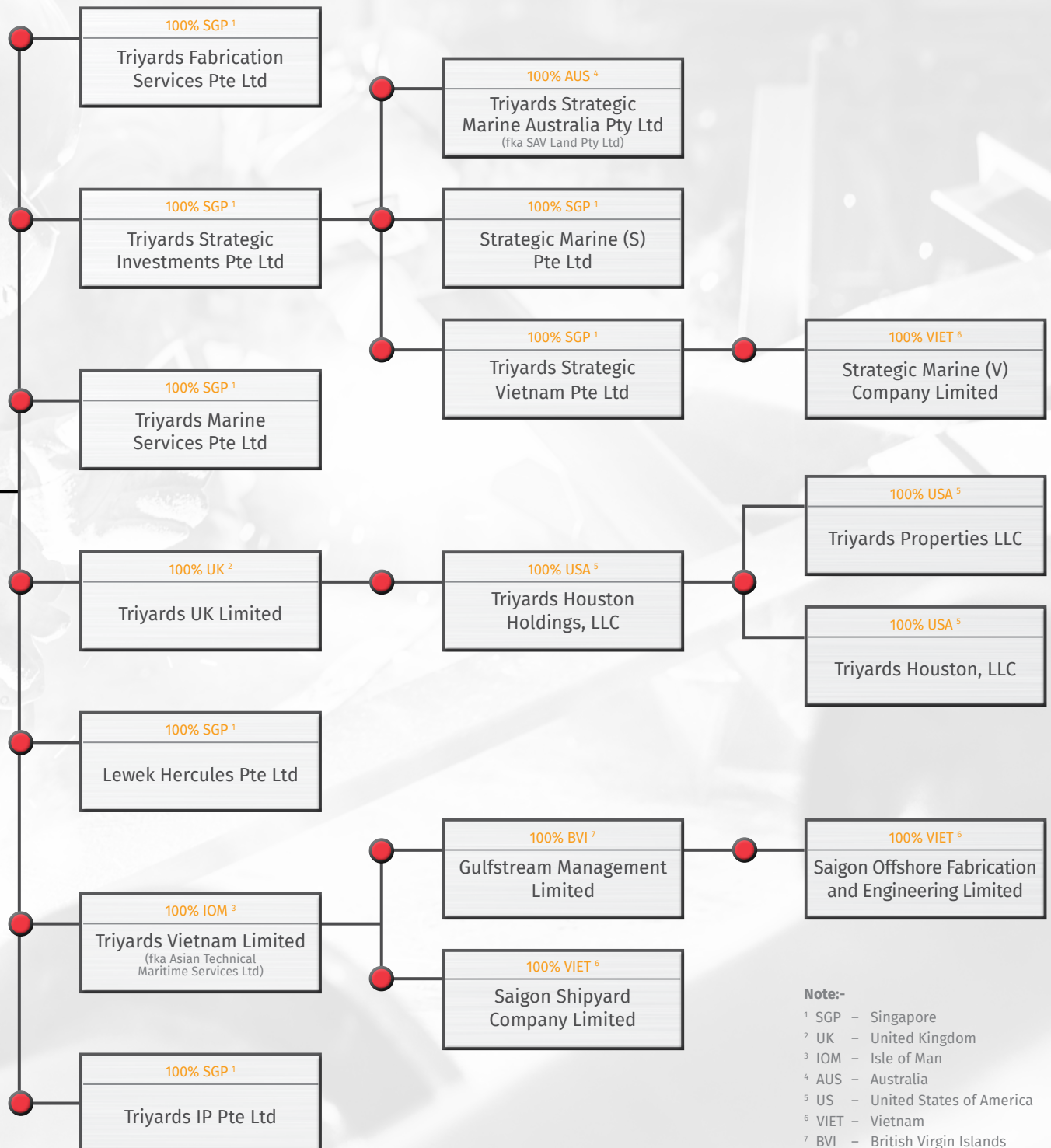


CORPORATE STRUCTURE

Updated as of 31 August 2016



Triyards Holdings Limited







TRIYARDS

OPERATIONS REVIEW



Known for our capability to engineer, fabricate and construct a variety of marine vessels, we have further enhanced our track record with even broader vessel-type builds contracted to us. And not only have we opened up new product offerings, our clientele base has also consequently widened, enabling us to achieve results despite the offshore oil and gas slowdown.

ACHIEVING GREATER REVENUE

Despite a tough year for the offshore oil and gas industry, we have managed to achieve revenues for FY16, a testament to our strategy of pursuing diversification, and leveraging our engineering and fabrication capabilities to adjacent and diverse industries.

Our contract wins for FY16 include:

- Three Chemical Tankers
- Four RAStar 3400 Azimuth Stern Drive Tugs
- One Scientific Research Vessel
- Two Wind Farm Crew Transfer Vessels
- One 36m High Speed Passenger Ferry
- Two Oil Barges
- Three Wind Farm Support Vessels
- One Luxury River Cruise Vessel
- Two Liquefied Natural Gas (LNG) – powered Aluminium Catamaran Ferries

STRENGTH IN DIVERSITY

The range of new products being contracted to TRIYARDS has partially compensated for the slowing down of orders for liftboats. With



the continued softness in the offshore oil and gas industry, scarce liftboat orders had been anticipated, and the Group had embarked on a deliberate strategy to grow our offerings in other segments of the maritime industry.

Already known for our capability to engineer and fabricate a variety of marine vessels, we have further enhanced this track record with new order wins. And not only have we opened up new product offerings and established a strong track record, our clientele base has also consequently broadened, enabling us to achieve results despite the offshore oil and gas slowdown.

The Strategic Marine (SM) acquisition done in 2014 has also contributed to this. SM is well known



for its quality aluminium craft building, and we have won some very noteworthy aluminium craft projects. For example, the two LNG powered aluminium catamaran ferries contract won in April this year with new client, the Netherlands's Rederij Doeksen (Royal Doeksen) is worth EURO€44m (approximately USD50.1m). Developed by renowned nautical design company BMT Nigel Gee from Southampton, the two RoPax ferries will feature new single-fuel LNG propulsion system that offers efficiency advantages over dual-fuel engines. The eco-friendly ferries are designed to carry up to 600 passengers and 64-cars whilst meeting stringent emissions requirements. Construction and engineering work has already begun. This is an important win – the ferries are the first of its kind, and we believe that LNG will

become more and more important in the marine industry, as clients demand more environmentally friendly vessels moving forward. It is also in line with SM's strategy to target the large ferry market.

The Group has also moved into areas such as ocean research vessel fabrication. This contract was signed with a new client, Taiwan Ocean Research Institute, National Applied Research Laboratories ("TORI"), a Taiwan government agency. Slated for completion in the financial year ending 31 August 2017 (FY17), the diesel electric-powered workboat is worth in excess of US\$26.4 million and will be used to support on-going research activities of TORI.

Staying with Taiwan, the Group won a contract to build two oil barges worth NTD 716 million



(approximately about US\$21.82m) from new client, CPC Corporation (“CPC”), a Taiwan state-owned oil and gas company responsible for supplying energy to its domestic market. The pair of oil barges is intended for coastal service and the supply of bunker fuel to vessels in Taiwan’s harbour and coastal areas.

Last but not least, the Group continued to make way in the renewable energy industry with orders for a total of five vessels used in support of wind farm operations offshore from various new clients around the world.

DEEPENING CORE COMPETENCIES

Even as the Group pursued diversification, it has not lost sight of its core offerings. In total, the Group has delivered a total of 10 liftboats since inception. These orders have comprised a mixture of both three- and four-legged, tubular

and latticed leg structured liftboats - the most comprehensive product range in this class in Asia.

OPENING NEW BUSINESS LINES

The Group was pleased to announce the attainment of the API-2C Monogram Certificate in November 2016. API licenses crane manufacturers through the API Monogram Program to apply the API Monogram to offshore pedestal mounted cranes that comply with API-2C specification and have been manufactured under a quality system that meets the requirements of API Q1. It is a voluntary licensing program designed to facilitate the consistent manufacturing of products that conform to API standards. The program requires that manufacturers maintain the capabilities, including the resources, processes and technology, to manufacture products that fall within the scope of licensing. The program gives licensed manufacturers an opportunity



Even as the Group pursued diversification, it has not lost sight of its core offerings. In total, the Group has delivered a total of 10 liftboats since inception.

to mark conforming product so that it is easily recognizable and identifiable in the field. The Group's Vietnam facility, SOFEL is the first such facility in Vietnam to receive the certificate, and is given the authority to apply the certification mark to equipment that meets API's product specification requirements. The use of the API-2C Monogram on its products constitutes a representation and warranty by SOFEL that, on the date of manufacture, the product conforms to all applicable, current editions of specifications, standards and requirements of API. With the certification, clients are assured of engineering excellence and quality when they contract the Group for lifting appliances and products.







QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)

The main priority in our yards have always been the safety and well-being of our people, the environment and maintaining critical business activities at all times. The Group's Vietnam yards were re-certified for maintaining the ISO22301:2012 standards for Business Continuity Management in FY16. To ensure a safe working environment for all, we have a "Target Zero" initiative in place, where we target for zero incidents, zero customer complaints, zero downtime and zero project delays. We continually upgrade safety procedures, evolve our safety training and roll out new integrated training for everyone in the Group. On the environmental front, we continue to reduce pollution and improve our waste management system in order to leave a minimal footprint from our business.

World class accreditation:

- Occupational health and safety management system 18001
- ISO 9001 Quality management system
- ISO 14001 Environmental management system
- ISO 22301 Business continuity management system
- ASME R stamp
- ASME S stamp
- ASME U stamp
- ASNT SNT-TC-1A scheme
- American Petroleum Institute's (API) API-2C Monogram Certificate



TRIYARDS has always believed in contributing back to society wherever it operates, and empowering people. The Group's initiatives in CSR usually brings staff far from its usual bases of operations, and this year was no different.





CORPORATE SOCIAL RESPONSIBILITY (CSR)

TRİYARDS has always believed in contributing back to society wherever it operates, and empowering people. The Group's initiatives in CSR usually brings staff far from its usual bases of operations, and this year was no different. Staffs were involved in an interesting trip taking 360km by bus and 7km by tractors through difficult rocky roads and five streams to reach a village in Ninh Thuan Province, Vietnam.

There, our staff were involve in the following work:

- Providing 500 school package to primary pupils. Each package included 1 school bag and stationeries needed for school, consisting notebooks, pens, pencils, rulers, erasers, sharpeners and pencil cases. It also contained hats and raincoats for the kids to shelter themselves against the sun and rain.
- As the visit coincided with the mid-autumn festival, staff handed 500 gifts packages to 500 kids. These packages included lanterns, candles, mooncakes and other snacks that the children could celebrate the festivities with.
- Staff also presented 20 gift packs to the old and poor families which contained daily necessities such as cooking oil, instant noodles, sauces and even medication.
- In addition to the gift packages, staff also organised games for the 500 children in the village, and arranged haircuts for them. Health examination was also provided to 533 people with our in house medical team. Finally, the Group set up an IT room with 20 sets of computers for the high school located there.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mr. Lee Kian Soo

Non-Executive and
Non-Independent Chairman

Mr. Soh Chun Bin

Lead Independent
Non-Executive Director

Mr. Lim Kuan Meng

Independent Non-Executive Director
(Appointed on 17 December 2015)

Ms. Loy Juat Boey

Independent Non-Executive Director
(Resigned on 16 December 2015)

Mr. Simon Charles Lockett

Independent Non-Executive Director

AUDIT COMMITTEE

Mr. Lim Kuan Meng

Independent Non-Executive Director
(Chairman, appointed on 17 December 2015)

Ms. Loy Juat Boey

Independent Non-Executive Director
(Resigned on 16 December 2015)

Mr. Soh Chun Bin

Independent Non-Executive Director

Mr. Simon Charles Lockett

Independent Non-Executive Director

NOMINATING COMMITTEE

Mr. Soh Chun Bin

Independent Non-Executive Director
(Chairman)

Mr. Lim Kuan Meng

Independent Non-Executive Director
(Appointed on 17 December 2015)

Ms. Loy Juat Boey

Independent Non-Executive Director
(Resigned on 16 December 2015)

Mr. Simon Charles Lockett

Independent Non-Executive Director

REMUNERATION COMMITTEE

Mr. Simon Charles Lockett

Independent Non-Executive Director
(Chairman)

Mr. Soh Chun Bin

Independent Non-Executive Director

Mr. Lim Kuan Meng

Independent Non-Executive Director
(Appointed on 17 December 2015)

Ms. Loy Juat Boey

Independent Non-Executive Director
(Resigned on 16 December 2015)

COMPANY SECRETARY

Mr. Shannon Ong

REGISTERED OFFICE

51 Shipyard Road
Singapore 628139
+65 6349 8535
www.triyards.com

INDEPENDENT AUDITORS

Ernst & Young LLP

One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge:
Mr. Shekaran Krishnan
(Appointed since financial year
ended 31 August 2015)

SHARE REGISTRAR AND SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS

Chinatrust Commercial Bank Co., Ltd.

8 Marina View
Asia Square Tower 1
Singapore 018960

DBS Bank Ltd

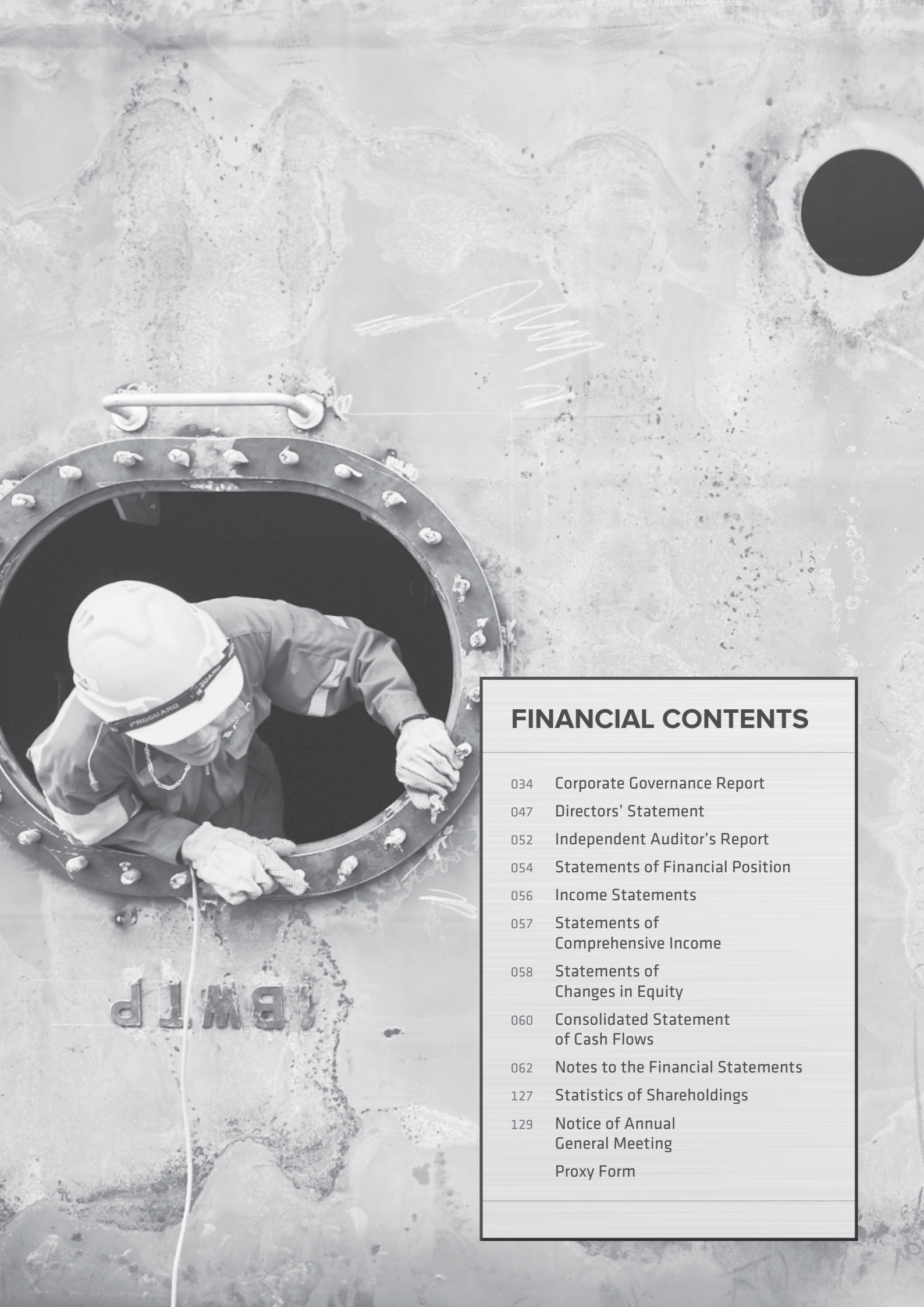
12 Marina Boulevard, Level 46
DBS Asia Central @
Marina Bay Financial Centre Tower 3
Singapore 018982

Oversea-Chinese Banking Corporation Limited

65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited

80 Raffles Place
UOB Plaza
Singapore 048624



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CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of Triyards Holdings Limited (the “Company”) is committed to maintain high standard of corporate governance and transparency within the Company and its subsidiaries (collectively, the “Group”). The Board believes that good corporate governance inculcates an ethical environment and enhances the interest of all shareholders.

This report describes the Group’s corporate governance framework and practices that were in place throughout the financial year, which are substantially in line with the principles set out in the Code of Corporate Governance 2012 (the “Code”). Where there are deviations from the Code, appropriate explanations are provided.

(A) BOARD MATTERS

BOARD’S CONDUCT OF ITS AFFAIRS

The Board assumes responsibility for stewardship of the Group and the Company and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. The Board works with Management to achieve this and Management is accountable to the Board.

The Board currently comprises four (4) Directors and its role is to:

- (a) set, review and approve corporate strategic aims which involves financial objectives and directions of the Group and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) establish goals for Management and review and monitor the performance and achievement of these goals;
- (c) provide entrepreneurial leadership and ensure Management leadership of high quality, effectiveness and integrity;
- (d) set the Company’s values and standards, and ensure that the obligations to shareholders and other stakeholders are understood and met;
- (e) establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders’ interest and the Company’s assets;
- (f) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation; and
- (g) consider sustainability issues as part of the Company’s strategic formulation.

The Company has adopted internal guidelines setting forth matters that require Board’s approval. The types of material transactions that require approval by the Directors under such guidelines are listed below:

- (a) quarterly financial results announcements and audited financial statements;
- (b) material announcement;
- (c) annual budget;
- (d) major transactions proposal which include funding, merger, acquisition and disposal transactions;
- (e) declaration of interim dividends and proposed final dividends; and

CORPORATE GOVERNANCE REPORT

(f) convening of shareholders' meeting.

To assist in the execution of its responsibilities, the Board has established a number of Board committees which includes a Nominating Committee ("NC"), a Remuneration Committee ("RC") and an Audit Committee ("AC"), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

When new Directors are appointed to the Board, they will be briefed on the Director's duties and responsibilities. Orientation programme will be given to newly appointed Directors where they are briefed on the Group's business activities, its strategic direction and regulatory environment in which the Group operates. In addition, newly appointed Directors are also introduced to the senior management team.

On an ongoing basis, the Company updates the Directors regarding new legislation and/or regulations which are relevant to the Group. Further, when there are seminar or training in various areas such as accounting, legal and industry specific knowledge which are relevant to the Group, the Directors are encouraged to attend the programmes at Company's expense. At AC meetings, the external auditors, Ernst & Young LLP provides regular updates on developments in accounting standards wherever it is relevant and applicable to the Group.

The Board meets regularly to review and deliberate on the corporate strategies, key activities and major issues of the Group. Ad-hoc Board meetings are arranged whenever appropriate. The Board ensures that effective management is in place to oversee the proper conduct of the Group's business.

BOARD COMPOSITION AND GUIDANCE

The Board currently comprises four (4) Directors, of which majority are independent. Their collective experience and contributions are valuable to the Group. The Directors as at the date of this report are listed as follows:

Non-Executive Directors

Mr. Lee Kian Soo	(Non-Executive and Non-Independent Chairman)
Mr. Soh Chun Bin	(Lead Independent Director)
Mr. Lim Kuan Meng	(Independent Director, Appointed on 17 December 2015)
Mr. Simon Charles Lockett	(Independent Director)

Currently, the Independent Directors of the Company make up more than half of the Board composition. This provides a strong and independent element on the Board which facilitates the exercise of independent and objective judgment on its corporate affairs.

The Independent Directors consist of respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary.

The NC adopts the definition of what constitutes an Independent Director from the Code and reviews the independence of each Director on an annual basis.

The Non-Executive Directors constructively challenge and help develop proposals on strategy and also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. Non-Executive Directors also meet regularly without the presence of Management.

CORPORATE GOVERNANCE REPORT

The profile of each Director and other relevant information are set out on page 14 of this Annual Report. The Board is of the view that its composition of the Board of Directors as a whole provides core competencies necessary to meet the Group's requirements, taking into account the nature and scope of the Group's operations.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer are held by separate individuals. Mr. Lee Kian Soo is the Non-Executive and Non-Independent Chairman and Mr. Chan Eng Yew is the Chief Executive Officer.

The Chairman is responsible for:

- (i) leading the Board to ensure its effectiveness on all aspects of its role and set its agenda;
- (ii) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (iii) promoting a culture of openness and debate at the Board;
- (iv) ensuring that the Directors receive accurate, timely and clear information;
- (v) ensuring effective communications with shareholders;
- (vi) encouraging constructive relations within the Board and between the Board and Management;
- (vii) facilitating the effective contribution of Non-Executive Directors; and
- (viii) promoting high standard of corporate governance.

The Chairman ensures that Board meetings are held regularly in accordance with an agreed schedule of meetings. The Chief Executive Officer is responsible for strategic planning, business development and generally charting the growth of the Group.

Mr. Soh Chun Bin is the Lead Independent Director of the Company and he is available to shareholders where they have concerns when contact through the normal channel of the Chairman, Chief Executive Officer and the Chief Financial Officer (or equivalent) has failed to resolve the issues or for which such contact is inappropriate.

The Independent Directors will meet periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

BOARD MEMBERSHIP

Nominating Committee ("NC")

The NC comprises Mr. Soh Chun Bin as Chairman, Mr. Lim Kuan Meng and Mr. Simon Charles Lockett as members.

The Board had approved written terms of reference of the NC. The NC is responsible for:

- (a) making recommendations to the Board on the appointment of new Executive and Non-Executive Directors;

CORPORATE GOVERNANCE REPORT

- (b) recommending Directors who are retiring by rotation to be put forward for re-election;
- (c) reviewing regularly the Board structure, size and composition and make recommendations to the Board with regards to any adjustment that are deemed to be necessary;
- (d) determining annually, and as and when circumstances require whether or not a Director is independent;
- (e) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when the Director has multiple Board representations;
- (f) reviewing of the Board's succession plan;
- (g) assessing the effectiveness and performance of the Board as a whole by analysing the strengths and weaknesses of the Board; and
- (h) reviewing the training and development programs for the Board.

The NC will meet at least once every financial year and during the financial year; the NC has held one (1) meeting.

In the nomination and selection process for new Directors, the NC identifies the key attributes that an incoming Director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement of the Board and of the key attributes, the NC taps on the resources of Director's personal contacts and recommendations of potential candidates. The curriculum vitae received goes through short listing process. Informal interview is conducted before a decision is reached.

The Directors are appointed by the shareholders at a general meeting and an election of Directors is held annually. One third, or if their number is not a multiple of three, the number nearest to but not lesser than one-third of the Directors, shall retire from office by rotation once in every three years. A retiring Director is eligible for re-election at the meeting at which he retires.

The NC takes factors such as competency, preparedness, participation and candour into consideration when evaluating the past performance and contributions of a Director for recommendation to the Board. In addition, the NC reviews whether each Director has given sufficient time and attention to the affairs of the Company and decides if a Director has been adequately carrying out, and is able to carry out, his duties as a Director of the Company.

Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as Director. The NC has determined that all Directors have adequately carried out their duties, based on their attendance as disclosed in this report.

BOARD PERFORMANCE

A process is in place to assess the performance and effectiveness of the Board as a whole. The evaluation of the Board is conducted annually. The performance criteria for the Board evaluation are based on financial and non-financial indicators such as evaluation of the size and composition of the Board, the Board's access to information, Board's processes, strategy and planning, risk management, accountability, Board's performance in relation to discharging its principal functions, communication with Management and standards of conduct of the Directors.

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The Board and NC strive to ensure that the Directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business so as to enable the Board to make sound and well-considered decisions.

Certain functions have been delegated to various Board committees, namely, the Nominating Committee, Remuneration Committee and Audit Committee. The members of these committees are set out below:

Nominating Committee ("NC")

Mr. Soh Chun Bin (Chairman)

Mr. Lim Kuan Meng (Appointed on 17 December 2015)

Mr. Simon Charles Lockett

Remuneration Committee ("RC")

Mr. Simon Charles Lockett (Chairman)

Mr. Soh Chun Bin

Mr. Lim Kuan Meng (Appointed on 17 December 2015)

Audit Committee ("AC")

Mr. Lim Kuan Meng (Chairman, Appointed on 17 December 2015)

Mr. Soh Chun Bin

Mr. Simon Charles Lockett

The number of meetings held during the financial year under review and the attendance of the Directors are set out in the table below:

Name of Directors	Board*		Nominating Committee*		Remuneration Committee*		Audit Committee*	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Lee Kian Soo	4	4	1	NA	1	NA	4	4
Mr. Lim Kuan Meng ¹	4	3	1	NA	1	NA	4	3
Ms. Loy Juat Boey ²	4	1	1	1	1	1	4	1
Mr. Simon Charles Lockett	4	4	1	1	1	1	4	4
Mr. Soh Chun Bin	4	4	1	1	1	1	4	4

Note:-

* Refers to meetings held/attended while each Director was in office.

¹ Mr. Lim Kuan Meng was appointed on 17 December 2015.

² Ms. Loy Juat Boey resigned on 16 December 2015.

NA Denotes Not Applicable.

In place of physical meetings, the Board and Board committees also circulate written resolutions for approval by the relevant members of the Board and Board committees.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

Prior to each Board meeting, Management provides the Directors with information relevant to the matters on the agenda in advance in order for Directors to be adequately prepared for the meeting.

To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information, and papers containing relevant background or explanatory information required to support the decision-making process. The Board is also provided with updates on the relevant new laws, regulations and changing commercial risks in the Company's operating environment through regular meetings. Orientation to the Company's business strategies and operations is conducted as and when required.

All Directors have separate and independent access to senior management and to the Company Secretary. The Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with.

In the event that the Directors, whether as a group or individually, require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company. The appointment of such professional advisor is subject to approval by the Board.

(B) REMUNERATION

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Remuneration Committee ("RC")

The RC comprises Mr. Simon Charles Lockett as Chairman, Mr. Soh Chun Bin and Mr. Lim Kuan Meng as members.

The Board has approved written terms of reference of the RC. The RC is responsible for:

- (a) recommending to the Board a framework of remuneration for the Board and the key executives of the Group covering all aspects of remuneration including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
- (b) proposing to the Board, appropriate and meaningful measures for assessing the performance of the Key Executives;
- (c) determining the specific remuneration package for each Key Executive;
- (d) to review and administer any performance share plan or other staff incentive schemes of the Group for Directors, senior management and senior executives; and
- (e) considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and key executives of the Company as required by law or by the Code.

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The RC will meet at least once every financial year and during the financial year; the RC has held one (1) meeting.

The RC reviews all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration commensurate with the contribution and responsibilities of the Directors. Directors' fees are also reviewed on a regular basis to ensure that Directors' fees paid remains to be competitive. The Company submits the quantum of Directors' fees for each year to the shareholders for approval at each AGM.

The members of the RC do not participate in any decisions concerning their own remuneration and the remuneration packages of persons related to them.

LEVEL AND MIX OF REMUNERATION

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. External remuneration specialists may be engaged to study and recommend a comprehensive reward system for the Key Executives based on suitable market benchmarks and practices to ensure external competitiveness and alignment with the Company's strategy and longer terms plan. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of Key Executives and is designed to align the Directors' interest with those of shareholders and link rewards to corporate and individual performance. Recommendations are then put forward to the Board by RC.

DISCLOSURE ON REMUNERATION

The following tables show a breakdown of the remuneration of Directors and the Key Executives, in bands of S\$250,000, for the financial year ended 31 August 2016.

Directors

Name of Director	Fee ¹ %	Bonus %	Other Benefits %	Total %
Non-Executive Director (Up to S\$250,000)				
Mr. Lee Kian Soo	65.9	—	34.1	100
Mr. Lim Kuan Meng ²	100	—	—	100
Ms. Loy Juat Boey ³	100	—	—	100
Mr. Simon Charles Lockett	100	—	—	100
Mr. Soh Chun Bin	100	—	—	100

Note:-

¹ These fees are subjected to approval by shareholders as a lump sum at the AGM for FY2016.

² Mr. Lim Kuan Meng was appointed on 17 December 2015.

³ Ms. Loy Juat Boey resigned on 16 December 2015.

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Key Executives

Name of Executive	Salary & CPF %	Bonus %	Other Benefits %	Total %
Above S\$500,001 to S\$750,000				
Mr. Chan Eng Yew	67.4	27.0	5.6	100
Above S\$250,001 to S\$500,000				
Mr. Andrew Mak Yeuw Wah	76.4	13.3	10.3	100
Mr. Jeffrey Ong Ah Koon	71.3	13.5	15.2	100
Mr. Richard A. Altman	75.1	12.0	12.9	100
Mr. Yan Naing Aung	78.9	13.4	7.7	100

The Company is of the opinion that it is not in the best interest of the Company to disclose the total remuneration of each Director and Key Executive in dollar terms, given the sensitivity of remuneration matters and the competitiveness of the industry for key talent.

There were no employees of the Group that was an immediate family member of a Director or the Chief Executive Officer and whose remuneration exceeded S\$50,000 during the financial year ended 31 August 2016.

EMPLOYEE SHARE PLAN

The Company adopted its employee share plan on the terms and conditions as disclosed in the Introductory Document dated as at 31 August 2012. No awards have yet been made under the Company's employee share plan.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

The Board is accountable to the shareholders and other stakeholders while Management is accountable to the Board.

The Board's primary role is to protect and enhance long-term value and returns for the shareholders. In the discharge of its duties to the shareholders, the Board, when presenting annual financial statements and quarterly announcements, seek to provide the shareholders with a timely, detailed analysis, explanation and assessment of the Group's financial position and prospects. To enable effective monitoring and decision-making by the Board, Management provides the Board with a continual flow of relevant information on a timely basis as well as quarterly management accounts of the Group. In particular, prior to the release of quarterly and full year results to the public, Management will present the Group's financial performance together with appropriate details to the AC, which will review and recommend the same to the Board for approval and authorisation for the release of the results. In addition, the financial performance together with appropriate details will be presented to the Board prior to the Board's approval and authorisation for the release of the results.

Audit Committee ("AC")

The AC comprises Independent Directors, namely Mr. Lim Kuan Meng as Chairman, Mr. Simon Charles Lockett and Mr. Soh Chun Bin as members.

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All members of the AC have many years of experience in senior management positions in financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

The Group has adopted the Code in relation to the roles and responsibilities of the AC. The AC holds periodic meetings to perform the following functions:

- (a) assisting the Board in the discharge of its responsibilities on financial and accounting matters;
- (b) recommending and approving the appointment and dismissal of internal auditors and external auditors and nominating external auditors for re-appointment;
- (c) reviewing the co-operation given by the Group's officers to the external auditors;
- (d) reviewing the audit plans, fees, performance, scope of work and results of audits compiled by the internal and external auditors;
- (e) reviewing significant financial reporting issues and judgments to ensure the integrity of any financial information presented to shareholders;
- (f) reviewing interested person transactions and potential conflicts of interest, if any, and in particular reviewing contract terms, including credit terms, for contracts entered into with related parties;
- (g) reviewing all hedging policies and instruments to be implemented by the Group, if any;
- (h) reviewing all investment instruments that are not principal protected;
- (i) reviewing and evaluating the Groups' administrative, operating and internal accounting controls and procedures;
- (j) reviewing and endorse the risk governance approach for the Company;
- (k) providing the tone at the top to set and instil the right culture throughout the company for effective risk governance;
- (l) reviewing the adequacy and effectiveness of the Group's risk management programme and processes to mitigate and manage risk at acceptable levels determined by the Board, as the Group pursues its strategic objectives;
- (m) reviewing and ensuring prompt collection of debts due from related parties;
- (n) reviewing the update reports on trade payables;
- (o) reviewing internal controls;
- (p) monitoring and reviewing on an annual basis the implementation and operation of the Master Services Agreement and IT Services Agreement, and any subsequent changes in the Mark-Up Rate; and
- (q) reviewing the statements to be included in the annual report concerning the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems and disclosing the outcome of reviews of the key financial risk areas in the annual report.

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Apart from the above functions, the AC will commission and review the findings of internal investigations into matters where there is suspicion of fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation, which has or is likely to have a material impact on the operating results and/or financial position, and otherwise carrying out its obligations under Rule 719 of the Listing Manual.

In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

During the past financial year, the AC held four (4) meetings with Management. The AC reviewed and approved the quarterly financial announcements prior to recommending their release to the Board, as applicable. Interested person transactions of the Group in the financial year have also been reviewed by the AC. The AC has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation from Management and full discretion to invite any director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

The AC has met with the internal and external auditors without the presence of Management. The AC has met with the internal auditors independently to discuss on the results of their examinations and their evaluation of the system of internal accounting controls. The AC also met with the external auditors to discuss the results of their examinations relevant for their financial statements attestation purposes. Adequate reporting by the Company's external auditor have been put in place in order for the AC to keep abreast of changes in accounting standards and issues which have a direct impact on the financial statements.

Audit and Non-Audit Fees

The AC has reviewed the volume of non-audit services to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment. The fees payable to the external auditors in respect of audit and non-audit services are set out in page 108 of this Annual Report.

The Company has engaged the same auditing firm for all Singapore-incorporated subsidiaries and significant foreign-incorporated subsidiaries. The Company confirms that it has complied with Rule 712 and Rule 715 read with Rule 716 of the SGX Listing Manual in relation to its auditing firms.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interests of the shareholders and the Group's assets. The AC has met with Management, internal and external auditors once as at the date of this Annual Report to review the internal and external auditors' audit plans. Also, as part of the annual statutory audit on financial statements, the external auditors report to the Audit Committee and the appropriate level of management any material weaknesses in financial internal controls over the areas which are significant to the audit.

The Group incorporates the Enterprise Risk Management ("ERM") Framework over the identification, prioritisation, assessment, management and monitoring of key risks. The risk management process in place covers, inter alia, financial, operational and compliance risks faced by the Group against the current business environment. The key risks identified are deliberated by Management, and reported to the Board on a quarterly basis.

Complementing the ERM framework is a Group-wide system of internal controls, which includes Crisis Management, Business Continuity and Disaster Recovery plans, risk transfer through insurance, code of conduct, documented policies and procedures, proper segregation of duties, approval authorities as well as checks and balances built into the business processes.

CORPORATE GOVERNANCE REPORT

Based on the internal controls policies and procedures established and maintained by the Group, the regular audits, monitoring and the reviews performed by the internal and external auditors, Management and the various Board Committees and the Board, the Board, with the concurrence of the AC, is satisfied that the internal controls of the Group as at 31 August 2016, are adequate to address financial, operational and compliance risks, which the Group considers relevant and material in its current business environment.

Based on the discussion with the auditors and the Management, the Board is satisfied that the internal controls of the Group throughout the financial year and up to and as of the date of this Annual Report are adequate to safeguard its assets and ensure the integrity of its financial statements. In addition, the Board has received assurance from the CEO and CFO that: (a) the financial records have been properly maintained and the financial statements give true and fair view of the Group's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems in all material aspects.

The system of internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

However, the Board notes that no system of internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities.

INTERNAL AUDIT

The Internal Audit department is an independent function of the Group. The Internal Audit Department primary reporting is to the AC Chairman on audit matters, and to the Group CFO on administrative matters. The AC approves the hiring, removal, evaluation and compensation of the Head of Internal Audit. Staffed by suitably qualified executives, Internal Audit shall have unrestricted access to all documents, records, properties and personnel, and unrestricted direct access to the AC. Internal Audit reports are submitted to the AC for deliberation, with copies of these reports extended to the CEO and relevant senior management officers. Group Internal Audit is guided by the International Standards for the Professional Practice of Internal Auditing set by the IIA. An audit plan for the next financial year has been developed using a structured risk assessment framework.

Whistle-blowing Policy

The Group is committed to a high standard of ethical conduct and has in place whistle-blowing procedures and arrangements by which employees may report and raise any concerns on possible wrongdoings such as suspected fraud, corruption, dishonest practices or other similar matters in good faith and are protected from reprisal to the extent possible. All concerns raised through the whistle-blowing email account (id@whistleblowingsg.com) are received by Internal Audit who will assess the actions required. All whistle-blowing cases and their assessments are reported by Internal Audit to the AC Chairman and CEO. They will decide whether further action or review is required, and if so, whether this should be conducted by an internally appointed Board of Inquiry or external authority. All employees have a duty to cooperate with investigations initiated under the Policy. The whistle-blowing procedure is posted on the Company's intranet for staff's easy reference as part of the Group's effort to promote fraud control awareness.

(D) SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

The Group ensures that all shareholders are treated fairly and equitably. The Company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Group believes that a high standard of disclosure is crucial to raising the level of corporate governance and seeks to be fair and transparent in communicating with the shareholders. Management believes in nurturing a long-term relationship with the investment community and actively participates in briefings, roadshows, conferences and investor events to communicate with the investors and analysts.

The Group does not practice selective disclosure. All information, including presentation slides relating to the Group's performance, progress and prospects are first disseminated via SGXNET, followed by a news release (if appropriate) to assist the shareholders and investors in their investment decisions. Price-sensitive information is publicly released and announced within the mandatory period, which is also available on the Company's website.

GREATER SHAREHOLDER PARTICIPATION

The AGM of the Company is a principal forum for dialogue and interaction with all shareholders. All shareholders will receive the notice of AGM, which is also advertised on the newspapers and issued via SGXNET. At the AGM, shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors including the chairpersons of each of the Board committees.

The Constitution allows a member of the Company to appoint up to two (2) proxies to attend and vote instead of the registered shareholder. Voting in absentia by mail, email or fax is currently not permitted under the Company's Constitution to ensure proper authentication of the identity of shareholders and their voting intentions.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. The external auditors are also present to address the shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

Since 2014, the Company has conducted electronic poll voting for all resolutions passed at the AGM for greater transparency in the voting process. Votes cast for or against and the respective percentages on each resolution will be tallied and displayed 'live' on-screen to shareholders immediately after each poll is conducted. The total number of votes cast for or against the resolutions and the respective percentages are also announced in a timely manner after the AGM via SGXNET. Minutes of the AGM are prepared and available upon request, which include substantial comments or queries from the shareholders and responses from the Board and Management.

DIVIDEND

The Group does not have a formal policy on dividend distribution.

(E) RISK MANAGEMENT

The Group is continually reviewing and improving the business and operational activities to take into account the risk management perspective. This includes reviewing management and manpower resources, updating work flows, processes and procedures to meet the current and future market conditions. The Group has also considered various risks, details of which are found on page 113 of the Annual Report.

CORPORATE GOVERNANCE REPORT

(F) SECURITIES TRANSACTIONS

The Group has adopted an internal code pursuant to the best practices on dealings in securities issued by the SGX-ST, applicable to all the officers of the Company and its subsidiaries with regards to dealings in the Company's securities. Officers are prohibited from dealing in securities of the Company while in possession of price sensitive information.

Dealings in the Company's securities are prohibited one month prior to the release of quarterly and/or full year results. The Group has further reminded its Directors and executive officers not to deal in the Company's securities on short-term considerations.

(G) MATERIAL CONTRACTS

There is no material contract entered into by the Company or its subsidiaries that involve the interests of any Director or controlling shareholders, except as described in section H (Interested Person Transactions), subsisting as at the financial year ended 31 August 2016.

(H) INTERESTED PERSON TRANSACTIONS

The Company maintains a register of interested person transactions of the Company. The aggregate value of interested person transactions entered into for the financial year under review is as follows:

Name of interested person	Aggregate value of all interested person transactions during FY2016 (excluding transactions less than US\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) US\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual during FY2016 (excluding transactions less than US\$100,000) US\$'000
Revenue (Recognised)		
Emas Offshore Services Pte Ltd	279	300
London Marine Consultants Limited	–	16,427
Emas-AMC Pte Ltd	229	291
Emas-AMC Pty Ltd	–	957
Ezra Marine Services Pte Ltd	–	272
Emas Energy Services (Thailand) Limited	–	2,152
Purchase of Goods and Services		
Ezra Holdings Limited	–	1,199
EMAS IT Solutions Pte Ltd	–	648
Ezra Marine Services Pte Ltd	2,664	415
Emas Offshore Services Pte Ltd	–	121

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Triyards Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position, income statement, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 August 2016.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position, income statement, statement of comprehensive income and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2016 and the financial performance, changes in equity and cash flows of the Group and income statement, statement of comprehensive income and statement of changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Mr. Lee Kian Soo, Non-Executive and Non-independent Chairman
Mr. Soh Chun Bin, Lead Independent Non-Executive Director
Mr. Simon Charles Lockett, Independent Non-Executive Director
Mr. Lim Kuan Meng, Independent Non-Executive Director

In accordance with the Company's Constitution, Mr. Lee Kian Soo, Mr. Lim Kuan Meng and Mr. Soh Chun Bin retire. The directors, being eligible, offer themselves for re-election.

3. Arrangements to enable directors to acquire shares and debentures

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

The following director, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
	At 1 September 2015	At 31 August 2016	At 21 September 2016	At 1 September 2015	At 31 August 2016	At 21 September 2016
Ordinary shares of the Company						
Mr. Lee Kian Soo	1,505,000	1,505,000	1,505,000	–	–	–
Ordinary shares of the Ultimate Holding Company (Ezra Holdings Limited)						
Mr. Lee Kian Soo	45,390,800	45,390,800	45,390,800	–	–	–
Ordinary shares of Related Company (EMAS Offshore Limited)						
Mr. Lee Kian Soo	–	–	–	330,844,316	–	–

Except as disclosed in this report, no other director who held office at the end of financial year had interest in shares, share options or debentures of the Company or related corporations, either at the beginning or at the end of the financial year.

5. Share based incentive plan

The Remuneration Committee is responsible for administering the share based incentive plan.

At the date of this report, the members of the Remuneration Committee are as follows:

Mr. Simon Charles Lockett (Chairman)
Mr. Soh Chun Bin
Mr. Lim Kuan Meng

The Company has set up an employee share based incentive plan, the Triyards Employee Share Plan (the "Plan"), which was approved at the Extraordinary General Meeting held on 31 August 2012.

Except for controlling shareholders or their associates, the employees, executive directors and independent directors of the Company and its subsidiaries shall, subject to certain conditions, be eligible to participate in the Plan.

The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum of ten (10) years commencing on adoption date. This Plan gives the flexibility to either allot and issue new shares or purchase and deliver existing treasury shares upon vesting of the awards. Participants will receive fully paid shares free of charge, upon the Participant satisfying the criteria set out in the Plan.

DIRECTORS' STATEMENT

5. Share based incentive plan (cont'd)

The number of shares to be allocated to each participant will be determined at the end of the performance period based on the level of attainment of the performance targets and the prevailing market price of the Company's share at grant date.

As at the date of this report, no shares or awards have been granted under the Plan for performance period ended 31 August 2016.

6. Warrants

As at 31 August 2016, Triyards has 29,500,000 warrants ("Warrant") which were issued to a third party and not exercised. Each Warrant carries the right to subscribe for 1 new ordinary share in the capital of Triyards (the "New Share") at the exercise price of US\$0.5626 for each New Share. These warrants are exercisable from 6 July 2015 to 6 July 2018.

7. Audit committee

The Audit Committee ("AC") comprises three board members, all of whom are independent non-executive directors. The members of the AC at the date of this report are:

Mr. Lim Kuan Meng (Chairman)
Mr. Simon Charles Lockett
Mr. Soh Chun Bin

The Company has adopted the Best Practices Guide and the Code of Corporate Governance 2012 in relation to the roles and responsibilities of the AC. The AC performed the following functions:

- (a) assisted the Board in the discharge of its responsibilities on financial and accounting matters;
- (b) recommended and approved the appointment and dismissal of internal auditors and external auditors and nominating external auditors for re-appointment;
- (c) reviewed the co-operation given by the Group's officers to the external auditors;
- (d) reviewed the audit plans, fees, performance, scope of work and results of audits compiled by the internal and external auditors;
- (e) reviewed significant financial reporting issues and judgments to ensure the integrity of any financial information presented to shareholders;
- (f) reviewed interested person transactions and potential conflicts of interest, if any, and in particular reviewing contract terms, including credit terms, for contracts entered into with related parties;
- (g) reviewed all hedging policies and instruments to be implemented by the Group, if any;
- (h) reviewed all investment instruments that are not principal protected;

DIRECTORS' STATEMENT

7. Audit committee (cont'd)

- (i) reviewed and evaluated the Group's administrative, operating and internal accounting controls and procedures;
- (j) reviewed and endorsed the risk governance approach for the Company;
- (k) provided the tone at the top to set and instil the right culture throughout the company for effective risk governance;
- (l) reviewed the adequacy and effectiveness of the Group's risk management programme and processes to mitigate and manage risk at acceptable levels determined by the Board, as the Group pursues its strategic objectives;
- (m) reviewed and ensured prompt collection of debts due from related parties;
- (n) reviewed internal controls;
- (o) monitored and reviewed on an annual basis the implementation and operation of the Master Services Agreement and IT Services Agreement, and any subsequent changes in the Mark-Up Rate; and
- (p) reviewed the statements to be included in the annual report concerning the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems and disclosing the outcome of reviews of the key financial risk areas in the annual report.

Apart from the above functions, the AC is required to commission and review the findings of internal investigations into matters where there is any suspicion of fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation, which has or is likely to have a material impact on the operating results and/or financial position, and otherwise carrying out its obligations under Rule 719 of the Listing Manual. In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

During the financial year, the AC held four (4) meetings with management. The AC reviewed and approved the quarterly financial announcements prior to recommending their release to the Board, as applicable. Interested person transactions of the Group in the financial year have also been reviewed by the AC. The AC has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation from Management and full discretion to invite any director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

The AC has met with the internal and external auditors without the presence of management. The AC has met with the internal auditors independently to discuss on the results of their examinations and their evaluation of the system of internal accounting controls. The AC also met with the external auditors to discuss the results of their examinations relevant for their financial statements attestation purposes. Adequate reporting by the Company's external auditor have been put in place in order for the AC to keep abreast of changes in accounting standards and issues which have a direct impact on the financial statements.

The AC has reviewed the non-audit services rendered to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment.

Further details regarding the AC are disclosed in the Corporate Governance Report.

DIRECTORS' STATEMENT

8. Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Lee Kian Soo
Director

Lim Kuan Meng
Director

Singapore
21 November 2016

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 August 2016

Independent auditor's report to the members of Triyards Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Triyards Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 54 to 126, which comprise the statements of financial position of the Group and the Company as at 31 August 2016, the income statements, statements of comprehensive income and statements of changes in equity of the Group and the Company, and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 August 2016

OPINION

In our opinion, the consolidated financial statements of the Group and statement of financial position, income statement, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2016 and the financial performance, changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
21 November 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2016

	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
ASSETS LESS LIABILITIES					
Non-current assets					
Fixed assets	4	137,640	138,319	–	–
Intangible assets	5	9,312	8,370	–	–
Investment in subsidiaries	6	–	–	182,568	182,468
Available-for-sale investments		37	37	–	–
Finance lease receivable	7	1,470	–	–	–
Deferred tax assets	18	1,231	699	–	–
Current assets					
Assets held for sale	8	4,550	–	–	–
Inventories and work-in-progress	9	64,529	51,703	–	–
Trade receivables	10	170,310	148,435	–	–
Other receivables	10	7,607	7,942	–	7
Other current assets	11	27,483	20,664	244	236
Finance lease receivable	7	550	–	–	–
Derivative financial instruments	29	–	177	–	–
Balances due from:					
– subsidiaries	10	–	–	43,917	44,670
– ultimate holding company	10	–	1,363	–	38
– related companies	10	15,596	9,001	52	420
Cash and cash equivalents	12	15,624	40,523	56	78
Cash pledged	13	22,298	2,938	–	–
		328,547	282,746	44,269	45,449
Current liabilities					
Trade payables	14	44,066	31,450	–	–
Other payables	14	51,270	75,669	568	593
Balances due to:					
– subsidiaries	14	–	–	100	4,109
– ultimate holding company	14	294	734	–	–
– related companies	14	1,280	2,968	–	–
– affiliated companies	14	209	893	–	–
Derivative financial instruments	29	1,187	126	–	–
Bills payable to banks	15	70,492	39,316	–	–
Lease obligations	16	44	351	–	–
Bank term loans	17	67,472	49,111	–	–
Provision for tax		3,698	3,340	–	–
		240,012	203,958	668	4,702
Net current assets		88,535	78,788	43,601	40,747

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2016

	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Non-current liabilities					
Lease obligations	16	(123)	(1,121)	–	–
Bank term loans	17	(11,927)	(14,221)	–	–
Deferred tax liabilities	18	(2,595)	(2,458)	–	–
NET ASSETS		223,580	208,413	226,169	223,215
EQUITY					
Share capital	19	209,544	209,544	209,544	209,544
Accumulated profits		194,967	179,466	16,625	13,671
Merger reserve	20	(179,347)	(179,347)	–	–
Translation reserve	20	(699)	(1,124)	–	–
Hedging reserve	20	(885)	(126)	–	–
TOTAL EQUITY		223,580	208,413	226,169	223,215

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

INCOME STATEMENTS

For the financial year ended 31 August 2016

		Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Revenue	21	324,892	270,113	6,000	13,000
Cost of sales		(269,499)	(210,085)	–	–
Gross profit		55,393	60,028	6,000	13,000
Other (expenses)/income	22	(1,973)	4,929	114	12
Administrative expenses		(29,097)	(30,110)	(868)	(1,420)
Profit from operations	23	24,323	34,847	5,246	11,592
Financial income		221	57	2	4
Financial expenses	25	(4,932)	(4,971)	(2)	(2)
Profit before tax		19,612	29,933	5,246	11,594
Tax	18	(1,819)	(2,779)	–	–
Profit after tax, attributable to owners of the Company		17,793	27,154	5,246	11,594
Earnings per share (US cents)	26				
– basic		5.48	8.43		
– diluted		5.48	8.43		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 August 2016

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Profit after tax	17,793	27,154	5,246	11,594
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	425	(1,124)	–	–
Fair value changes on cash flow hedges	(759)	(126)	–	–
Other comprehensive income, net of tax	(334)	(1,250)	–	–
Total comprehensive income for the financial year, attributable to owners of the Company	17,459	25,904	5,246	11,594

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 August 2016

Group	Share capital (Note 19) US\$'000	Accumulated profits US\$'000	Merger reserve (Note 20) US\$'000	Translation reserve (Note 20) US\$'000	Hedging reserve (Note 20) US\$'000	Total equity attributable to owners of the Company US\$'000
Balance at 1 September 2014	193,802	154,792	(179,347)	–	–	169,247
Total comprehensive income for the financial year	–	27,154	–	(1,124)	(126)	25,904
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 of the Company	15,742	(2,480)	–	–	–	13,262
Balance at 31 August 2015	209,544	179,466	(179,347)	(1,124)	(126)	208,413
Balance at 1 September 2015	209,544	179,466	(179,347)	(1,124)	(126)	208,413
Total comprehensive income for the financial year	–	17,793	–	425	(759)	17,459
Dividends on ordinary shares representing total transactions with owners of the Company	–	(2,292)	–	–	–	(2,292)
Balance at 31 August 2016	209,544	194,967	(179,347)	(699)	(885)	223,580

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 August 2016

Company	Share capital (Note 19) 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 year	–	11,594	11,594
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 of the Company	15,742	(2,480)	13,262
Balance at 31 August 2015	209,544	13,671	223,215
Balance at 1 September 2015	209,544	13,671	223,215
Total comprehensive income for the financial year	–	5,246	5,246
Dividends on ordinary shares representing total transactions with owners of the Company	–	(2,292)	(2,292)
Balance at 31 August 2016	209,544	16,625	226,169

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 August 2016

	Note	Group	
		2016 US\$'000	2015 US\$'000
Cash flows from operating activities			
Profit before tax		19,612	29,933
Adjustments:			
Depreciation of fixed assets		11,395	11,925
Loss/(gain) on disposal of fixed assets		670	(71)
Fixed assets written off		36	72
Amortisation of intangible assets		326	1,112
Impairment loss on assets held for sale		268	–
Allowance for impairment of fixed assets		1,740	–
Fair value changes in respect of derivative instruments, net		478	(177)
Unrealised exchange (gain)/loss		(629)	930
Interest expense		4,932	4,971
Interest income		(221)	(57)
Bad debts written off, net		–	41
Allowance for doubtful debts, net		–	8
Inventories written off		105	284
Gain on bargain purchase of subsidiaries		–	(3,590)
Operating profit before working capital changes		38,712	45,381
(Increase)/decrease in:			
Inventories and work-in-progress		(12,989)	(17,955)
Trade receivables		(21,876)	32,166
Other receivables and other current assets		(6,484)	(11,336)
Finance lease receivable		(2,010)	–
Due from ultimate holding company		1,363	(1,326)
Due from related companies		(6,595)	14,204
Due from affiliated companies		–	3,556
Increase/(decrease) in:			
Trade payables		13,611	(5,914)
Other payables		(24,614)	18,838
Due to ultimate holding company		(440)	(991)
Due to related companies		(1,688)	(8,476)
Due to affiliated companies		(684)	893
Cash (used in)/generated from operations		(23,694)	69,040
Interest paid		(4,932)	(4,971)
Interest income received		211	57
Tax paid		(1,694)	(5,771)
Net cash (used in)/generated from operating activities		(30,109)	58,355

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 August 2016

	Note	Group	
		2016 US\$'000	2015 US\$'000
Cash flows from investing activities			
Purchase of fixed assets	A	(20,932)	(16,995)
Additions to intangible assets		(1,227)	(548)
Proceeds from disposal of fixed assets		3,458	82
Increase in cash pledged		(19,361)	(2,938)
Acquisition of subsidiaries, net of cash paid	6	–	(15,656)
Net cash used in investing activities		(38,062)	(36,055)
Cash flows from financing activities			
Proceeds from lease financing		–	1,931
Repayment of lease obligations		(1,405)	(360)
Proceeds from issuance of placement shares, net of transaction costs		–	15,742
Proceeds from bank term loans and bills payable to banks		253,873	170,120
Repayment of bank term loans and bills payable to banks		(207,095)	(189,095)
Dividends paid on ordinary shares		(2,292)	(2,480)
Net cash generated from/(used in) financing activities		43,081	(4,142)
Net (decrease)/increase in cash and cash equivalents		(25,090)	18,158
Effect of exchange rate changes on cash and cash equivalents		191	(414)
Cash and cash equivalents at beginning of financial year	12	40,523	22,779
Cash and cash equivalents at end of financial year	12	15,624	40,523

Note to the consolidated statement of cash flows:

A. Purchase of fixed assets

	Group	
	2016 US\$'000	2015 US\$'000
Aggregate cost of fixed assets acquired	21,043	16,995
Purchase by way of lease obligations	(111)	–
Purchase of fixed assets in cash	20,932	16,995

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

1. Corporate information

1.1 THE COMPANY

Triyards Holdings Limited (the “Company” or “Triyards”) is a limited company, incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and principal place of business of the Company is located at 51 Shipyard Road, Singapore 628139 (2015: 15 Hoe Chiang Road, #28-01 Tower Fifteen, Singapore 089316).

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as shown in Note 1.3 to the financial statements.

The ultimate holding company of the Company is Ezra Holdings Limited (“Ezra”) which is a limited company incorporated and domiciled in the Republic of Singapore. Related companies in the financial statements refer to Ezra group of companies.

1.2 THE RESTRUCTURING EXERCISE

The Group was formed through a restructuring exercise where the companies carrying on the engineering and fabrication business held by Ezra were transferred to the Group in preparation for the Company’s listing on the Singapore Exchange Securities Trading Limited (“SGX-ST”) (the “Restructuring Exercise”). The restructuring exercise was completed in early October 2012 and Triyards was listed on SGX-ST on 18 October 2012.

1.3 THE SUBSIDIARY COMPANIES

The Company, either through direct or indirect legal ownership has interests in the subsidiary companies as follows:

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2016 %	2015 %
Held by the Company				
Triyards Marine Services Pte Ltd ⁽¹⁾	Supply of equipment for ship building, engineering works	Singapore	100	100
Triyards UK Limited ⁽³⁾	Investment holding	England, United Kingdom	100	100
Triyards Vietnam Limited@	Investment holding	Isle of Man	100	100
Lewek Hercules Pte Ltd ⁽¹⁾	Ship owner and provision of ship chartering services	Singapore	100	100
Triyards IP Pte Ltd ⁽¹⁾	Leasing of non-financial intangible assets	Singapore	100	100
Triyards Strategic Investments Pte Ltd ⁽¹⁾	Investment holding	Singapore	100	100
Triyards Fabrication Services Pte Ltd#	Supply of engineering works	Singapore	100	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

1. Corporate information (cont'd)

1.3 THE SUBSIDIARY COMPANIES (CONT'D)

Name of company	Principal activities	Country of incorporation and place of business	Effective interest held by the Group	
			2016 %	2015 %
Held through Triyards Vietnam Limited				
Gulfstream Management Limited @	Investment holding	British Virgin Islands, United Kingdom	100	100
Saigon Shipyard Company Limited ⁽²⁾	Construct and repair vessels, fabrication of metal structure and assembly and installation of structures for oil and gas industries	Vietnam	100	100
Held through Gulfstream Management Limited				
Saigon Offshore Fabrication and Engineering Limited ⁽²⁾	Construct and repair vessels, fabrication of metal structure and assembly and installation of structures for oil and gas industries	Vietnam	100	100
Held through Triyards UK Limited				
Triyards Houston Holdings LLC @	Investment holding	Texas, United States of America	100	100
Held through Triyards Houston Holdings LLC				
Triyards Properties, LLC @	Property and asset holding	Texas, United States of America	100	100
Triyards Houston LLC @	Provision of engineering and fabrication services	Texas, United States of America	100	100
Held through Triyards Strategic Investments Pte Ltd				
Triyards Strategic Marine Australia Pty Ltd ⁽⁴⁾	Investment holding	Australia	100	100
Triyards Strategic Vietnam Pte Ltd ⁽¹⁾	Investment holding	Singapore	100	100
Strategic Marine (S) Pte Ltd ⁽¹⁾	Construction of boats	Singapore	100	100
Held through Triyards Strategic Vietnam Pte Ltd				
Strategic Marine (V) Company Limited ⁽²⁾	Build, assemble, design and repair various vessels and floating equipment	Vietnam	100	100

Note:

- (1) : Audited by Ernst & Young LLP, Singapore
- (2) : Audited by Ernst & Young Limited, Vietnam
- (3) : Audited by Anderson Anderson & Brown LLP, Chartered Accountants, United Kingdom
- (4) : Audited by Moore Stephens, Perth
- @ : Not required to be audited under the laws of the country of incorporation
- # : Incorporated during the financial year

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group and statement of financial position, income statement, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (“USD” or “US\$” or “\$”) and all values in the tables are rounded to the nearest thousand (US\$’000), except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICY

(a) Adoption of revised FRS and INT FRS

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (“INT FRS”) that are effective for annual periods beginning on or after 1 September 2015. The adoption of these standards and Interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.2 CHANGES IN ACCOUNTING POLICY (CONT'D)

(b) FRS and INT FRS not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 114 Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
Amendments to FRS 27 Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Improvements to FRSs (November 2015)	
(a) Amendments to FRS 105 Non-current Assets Held for Sales and Discontinued Operations	1 January 2016
(b) Amendments to FRS 107 Financial Instruments Disclosures	1 January 2016
(c) Amendments to FRS 19 Employee Benefits	1 January 2016
(d) Amendments to FRS 34 Interim Financial Reporting	1 January 2016
Amendments to FRS 110 & FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 1: Disclosure Initiative	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2017
FRS 109 Financial Instruments	1 January 2018
FRS 116 Leases	1 January 2019

Except for FRS 115, FRS 109 and FRS 116 the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.2 CHANGES IN ACCOUNTING POLICY (CONT'D)

(b) FRS and INT FRS not yet effective (cont'd)

FRS 115 Revenue from Contracts with Customers (cont'd)

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening accumulated profits when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.3 FOREIGN CURRENCIES

The Group's consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.3 FOREIGN CURRENCIES (CONT'D)

(a) Foreign currency transactions and balances

Transactions in a currency other than the respective functional currencies ("foreign currency") of the Company and its subsidiaries are recorded on initial recognition in the functional currencies at foreign exchange rates approximating those ruling at the dates of the transactions. Foreign currency monetary items are translated into the functional currency using foreign exchange rate ruling at the end of the reporting period. Non-monetary assets and liabilities measured at historical cost in foreign currencies are translated into the functional currency using foreign exchange rates at the dates of the transactions. Non-monetary items measured at fair value in foreign currencies are translated into the functional currency at exchange rates ruling at the dates the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Foreign operations

For consolidation purpose, the assets and liabilities of operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at average exchange rates for the financial year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss of the Group.

2.4 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

(a) Transfer of entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect the fair values, or recognised any new assets or liabilities.
- No goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.4 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS (CONT'D)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(c) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.4 BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS (CONT'D)

(c) Business combinations and goodwill (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 SUBSIDIARIES

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.6 AFFILIATED COMPANY

An affiliated company is a company, not being a holding company, a subsidiary, an associated company or a joint venture company, in which the directors or shareholders of the Company have an equity interest or exercise significant influence over.

2.7 FIXED ASSETS AND DEPRECIATION

Fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are stated at cost less accumulated depreciation and any accumulated impairment loss. The cost includes the cost of replacing part of the fixed assets and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying fixed asset. The accounting policy for borrowing costs is set out in Note 2.19. The cost of a fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit or loss.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.7 FIXED ASSETS AND DEPRECIATION (CONT'D)

A fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss resulting from derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

Freehold land has an unlimited life and therefore is not depreciated.

Depreciation is calculated on the straight-line method to write off the cost of fixed assets over their estimated useful lives. The estimated useful lives of fixed assets are as follows:

Vessel	: 25 years
Floating dock	: 25 years
Motor vehicles	: 6 – 10 years
Building	: 10 – 39 years
Plant and machinery	: 5 – 10 years
Office equipment, furniture and fittings	: 3 – 5 years

Assets under construction are stated at cost. These costs include all progress billings received in accordance with the construction contracts, interest charges arising from borrowings used to finance the construction and other direct costs. Assets under construction are not depreciated until such time they are completed and available for operational use.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets.

2.8 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.8 INTANGIBLE ASSETS (CONT'D)

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Development costs

Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use.

Order backlogs

Order backlogs were acquired in business combination. They are carried at fair value at date of acquisition and amortised over the period of expected benefits, which is estimated to be within two years.

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less impairment losses. On disposal of a subsidiary, associated company or joint venture company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.10 FINANCIAL ASSETS (CONT'D)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loan and receivable are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables, including amounts due from subsidiaries, ultimate holding company, related companies and affiliated companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.13.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, cash at banks and fixed deposits subject to an insignificant risk of changes in value.

Fixed deposits and cash and bank balances are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

2.13 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.13 IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.14 INVENTORIES AND WORK-IN-PROGRESS

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis. Net realisable value represents the estimated selling price in the ordinary course of business, less anticipated cost of disposal and after making allowance for any damaged and obsolete inventories.

Work-in-progress comprises direct material, direct labour and other directly attributable expenses. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the financial year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate derivative contracts is determined by reference to market values for similar instruments.

Hedge accounting

The Group designates certain derivatives as cash flow hedges when there is hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the derivative financial instruments that qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss in "Other operating income, net".

Amounts accumulated in the hedging reserve in the equity are transferred to profit or loss in the periods when the hedged items affect profit or loss, such as when the hedged financial expense is recognised.

If the forecast transaction is no longer expected to occur, amounts previously recognised in hedging reserve are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in hedging reserve remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.16 CONSTRUCTION CONTRACTS

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date to the estimated costs to complete and completion of physical proportion of contract work.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2.17 FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.17 FINANCIAL LIABILITIES (CONT'D)

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, financial liabilities including payables to subsidiaries, ultimate holding company, related companies and affiliated companies on normal trade terms, are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.19 BORROWING COSTS

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.20 PROVISIONS (CONT'D)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.21 LEASES

(a) Finance lease – when the Group is a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset as outlined in Note 2.7 and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(b) Finance lease – when the Group is a lessor

When entities within the Group are lessor of the finance lease, the amounts due under the leases, after deduction of unearned charges, are included in “Finance lease receivables” as appropriate. The difference between the gross receivable and present value of the receivable is recognised as unearned interest. Interest receivable is recognised over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

(c) Operating lease – when the Group is a lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.22 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Fixed assets and intangible assets once classified as held for sale are not depreciated or amortised.

2.23 LOANS AND BORROWINGS

All loans and borrowings are initially recognised at fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are de-recognised or impaired and through the amortisation process.

2.24 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

- (a) In respect of engineering and fabrication services, when the outcome of a contract can be measured reliably, revenue from a fixed price contract is recognised using the percentage of completion method. The percentage of completion is measured by the proportion of costs incurred to-date to estimated total costs to complete the contract and completion of physical proportion of contract work. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is recoverable.

When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately. When the outcome of a contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

- (b) Interest income is recognised using the effective interest method.
- (c) Dividend income is recognised when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.25 TAXES

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation are subject to interpretation and establishes provision where appropriate.

(b) Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.25 TAXES (CONT'D)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.26 SHARE CAPITAL

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.27 EMPLOYEE BENEFITS

(a) Other post-employment benefits

As required by law, the Group's companies make contributions to state pension schemes. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the same period as the employment that gives rise to the contribution.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.28 CONTINGENT LIABILITIES

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.29 SEGMENT REPORTING

For management reporting purposes, the Group organises its business segments based on the nature of services rendered, which are also independently managed by the respective division managers responsible for the performance of their respective divisions. The divisional managers report directly to the management of the Company who will review the segment results regularly and allocate the resources efficiently to the various segments. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

2. Summary of significant accounting policies (cont'd)

2.30 FINANCIAL GUARANTEE

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognized as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

3. Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Estimated useful lives of vessel and floating dock (Note 4)

The vessel and floating dock are depreciated on a straight-line basis over the estimated useful lives. The estimated useful life reflects management's estimate of the periods that the Group intends to derive future economic benefits from the use of the vessel and floating dock. Changes in the business plans and strategies, expected level of usage and future technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised. A 4.0% (2015: 4.0%) difference in the expected useful lives of the vessel and floating dock from management's estimates would result in approximately 0.20% (2015: 0.10%) variance in profit for the financial year.

(ii) Impairment of receivables (Note 10)

The Group assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables are impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. The Group also performs a credit assessment of key debtors to determine if there is any impairment loss on long outstanding receivables that exist at financial year end. Such allowances are adjusted periodically to reflect the actual and past experience.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

3. Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

(iii) Income taxes (Note 18)

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Revenue recognition on construction contracts (Note 10)

The Group recognises contract revenue to the extent of contract costs incurred where it is probable that those costs will be recoverable or based on the percentage of completion method. The percentage of completion is measured by reference to the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs and completion of physical proportion of contract work.

Significant assumptions are required to estimate the total contract costs, physical completion of works and the recoverable variation works that affect the percentage of completion. The estimates are made based on past experience and knowledge of the project managers and approval by the management of the Company.

(v) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use. The fair value less costs to dispose calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(b) Critical judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statement.

4. Fixed assets

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

Group	Freehold land US\$'000	Vessel US\$'000	Floating dock US\$'000	Motor vehicles US\$'000	Building US\$'000	Plant and machinery US\$'000	Office equipment, furniture and fittings US\$'000	Assets under construction US\$'000	Total US\$'000
Cost									
At 1 September 2014	1,481	4,134	14,415	2,084	80,561	28,438	1,626	5,712	138,451
Additions	-	3,976	-	-	181	1,765	343	10,730	16,995
Disposals	-	-	-	(3)	-	(94)	(3)	-	(100)
Written off	-	-	-	-	(11)	(147)	(4)	-	(162)
Reclassification									
- Fixed assets	-	-	-	-	198	81	48	(327)	-
- Inventories and work-in-progress	-	-	-	-	-	-	-	(637)	(637)
Acquisition of subsidiaries	-	-	-	282	30,837	5,648	449	3	37,219
Translation adjustments	-	-	-	(16)	(1,505)	(689)	(31)	-	(2,241)
At 31 August 2015 and 1 September 2015	1,481	8,110	14,415	2,347	110,261	35,002	2,428	15,481	189,525
Additions	-	-	-	615	78	2,803	838	16,709	21,043
Disposals	(516)	-	-	-	(4,100)	(117)	-	-	(4,733)
Written off	-	-	-	-	(85)	(94)	(21)	-	(200)
Reclassification									
- Fixed assets	-	-	-	15	24,767	5,995	213	(30,990)	-
- Assets held for sale	-	-	-	-	(5,332)	-	-	-	(5,332)
Translation adjustments	-	-	-	2	(424)	278	10	-	(134)
At 31 August 2016	965	8,110	14,415	2,979	125,165	43,867	3,468	1,200	200,169

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

4. Fixed assets (cont'd)

Group	Freehold land US\$'000	Vessel US\$'000	Floating dock US\$'000	Motor vehicles US\$'000	Building US\$'000	Plant and machinery US\$'000	Office equipment, furniture and fittings US\$'000	Assets under construction US\$'000	Total US\$'000
Accumulated depreciation and allowance for impairment									
At 1 September 2014	-	29	746	756	15,645	12,945	1,110	-	31,231
Charge	-	341	573	238	4,993	5,434	346	-	11,925
Disposals	-	-	-	(2)	-	(84)	(3)	-	(89)
Written off	-	-	-	-	(9)	(77)	(4)	-	(90)
Reclassification	-	-	-	-	-	-	-	-	-
- Inventories and work-in-progress	-	-	-	-	-	(194)	(42)	-	(236)
Acquisition of subsidiaries	-	-	-	251	4,421	4,505	346	-	9,523
Translation adjustments	-	-	-	(14)	(306)	(714)	(24)	-	(1,058)
At 31 August 2015 and 1 September 2015	-	370	1,319	1,229	24,744	21,815	1,729	-	51,206
Charge	-	341	573	259	5,125	4,523	574	-	11,395
Disposals	-	-	-	-	(543)	(62)	-	-	(605)
Written off	-	-	-	-	(56)	(92)	(16)	-	(164)
Reclassification	-	-	-	-	-	-	-	-	-
- Assets held for sale	-	-	-	-	(586)	-	-	-	(586)
Allowance for impairment	-	-	-	-	1,740	-	-	-	1,740
Translation adjustments	-	-	-	2	(708)	198	51	-	(457)
At 31 August 2016	-	711	1,892	1,490	29,716	26,382	2,338	-	62,529
Carrying amount									
At 31 August 2016	965	7,399	12,523	1,489	95,449	17,485	1,130	1,200	137,640
At 31 August 2015	1,481	7,740	13,096	1,118	85,517	13,187	699	15,481	138,319

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

4. Fixed assets (cont'd)

- (a) Certain plant and machinery, building and floating dock with carrying amount of US\$75,304,000 (2015: US\$64,884,000) are pledged in connection with the bills payable to banks (Note 15) and term loan facilities (Note 17) granted by financial institutions.
- (b) Fixed assets under finance leases stated at carrying amounts were as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Motor vehicles	332	226
Plant and machinery	–	1,899
Total	332	2,125

Leased assets are pledged as security for the related finance lease liabilities.

- (c) The Group's major properties as at the end of the reporting period were as follows:

Location	Gross floor area	Tenure	Usage
Thanh My Loi Precinct, District 2, Ho Chi Minh City, Vietnam	97,069 sq m	35-year lease commencing from 5 December 1996	Ship building and ship repair
Dong Xuyen Industrial Zone, Rach Dua Ward, Vung Tau City, Vietnam	97,000 sq m (2015: 90,978 sq m)	39-year lease commencing from 1 July 2007	Ship building and ship repair
0 Almeda Road, Houston TX77045, United States of America	175,468 sq ft	Freehold	Crane fabrication yards
12221 Almeda Road, Houston TX77045, United States of America	357,862 sq ft	Freehold	Crane fabrication yard/office/ warehouse
12268 Kirkgard Drive, Houston TX77045, United States of America	87,120 sq ft	Freehold	Crane fabrication yard
4 Pioneer Sector 1, Singapore 628416*	11,267 sq m	12-year lease commencing from 1 June 2011	Ship building and ship repair

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

4. Fixed assets (cont'd)

(c) The Group's major properties as at 31 August 2016 were as follows (cont'd):

Location	Gross floor area	Tenure	Usage
Dong Xuyen Industrial Zone, Rach Dua Ward, Vung Tau City, Vietnam	127,922 sq m (2015: 88,996 sq m)	40-year lease commencing from 30 June 2006	Ship building and ship repair

During the financial year, the Group disposed its properties at 12218 Robin Blvd, Houston TX77045, United States of America ("USA") of 366,000 sq ft, realising a loss on disposal of US\$659,000 in the income statement.

* As at 31 August 2016, the property is classified as held for sale (Note 8).

(d) During the financial year, a subsidiary of the Group carried out a review of the recoverable amount of its crane fabrication yard located in USA. An allowance for impairment of US\$1,740,000 (2015: nil), representing the write down of the crane fabrication yard to the recoverable amount was recognised in other (expenses)/income (Note 22) line item of the income statement for the financial year ended 31 August 2016. The recoverable amount of the crane fabrication yard was based on its value in use and the pre-tax discount rate used was 11.1% (2015: nil).

5. Intangible assets

Group	Order backlogs US\$'000	Development costs US\$'000	Total US\$'000
Cost			
At 1 September 2014	–	7,633	7,633
Acquisition of subsidiaries	1,301	–	1,301
Additions	–	548	548
At 31 August 2015 and 1 September 2015	1,301	8,181	9,482
Additions	–	1,227	1,227
Translation adjustments	–	41	41
At 31 August 2016	1,301	9,449	10,750
Accumulated amortisation			
At 1 September 2014	–	–	–
Amortisation	1,112	–	1,112
At 31 August 2015 and 1 September 2015	1,112	–	1,112
Amortisation	189	137	326
At 31 August 2016	1,301	137	1,438

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

5. Intangible assets (cont'd)

Group	Order backlogs US\$'000	Development costs US\$'000	Total US\$'000
Carrying amount			
At 31 August 2016	–	9,312	9,312
At 31 August 2015	189	8,181	8,370

Order backlogs

Order backlogs were acquired in business combination. They are carried at fair value at date of acquisition and amortised over the period of expected benefits and were fully amortised during the financial year.

Development costs

Development costs mainly relate to development expenditures incurred on intellectual properties for the designs of a jack-up drilling unit and crane. The amortisation of development costs is included in the administrative expenses line item in the income statement. The development costs have remaining amortisation periods of between 10 to 19 years (2015: nil).

During the financial year, the Group had carried out a review on the recoverable amount of the development costs. Based on the assessment, no impairment loss (2015: nil) had been recognised as the expected recoverable amount is higher than the carrying amount.

6. Investments in subsidiaries

	Company	
	2016 US\$'000	2015 US\$'000
Unquoted equity shares, at cost	182,568	182,468

Details regarding subsidiaries are set out in Note 1.3 to the financial statements.

Acquisition of subsidiaries

In the prior financial year, Triyards Strategic Investments Pte Ltd and Triyards Strategic Vietnam Pte Ltd entered into separate equity purchase agreements with Henderson Marine Base Pty Ltd to purchase the entire issued share capital of Strategic Marine (S) Pte. Ltd. ("SMS") and the entire charter capital of Strategic Marine (V) Company Limited. ("SMV") for an aggregate consideration of Australian Dollar 23.3 million (equivalent to US\$20.5 million).

Gain on bargain purchase of US\$3,590,000 arose from the acquisition of SMS and SMV at lower than fair value of the net identifiable assets of US\$24,098,000 and recognised as part of other (expenses)/income in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

6. Investments in subsidiaries (cont'd)

Acquisition of subsidiaries (cont'd)

Effect of the acquisition of SMS and SMV on cash flows

	Group US\$'000
Considerations settled in cash	20,508
Less: Cash and cash equivalents of subsidiaries acquired	(4,852)
Net cash outflow on acquisition	15,656

7. Finance lease receivable

	Group			
	Minimum finance lease receivable 2016 US\$'000	Present value of lease receivable 2016 US\$'000	Minimum finance lease receivable 2015 US\$'000	Present value of lease receivable 2015 US\$'000
Not later than one year	600	550	–	–
Later than one year but not later than five years	1,500	1,470	–	–
More than five years	–	–	–	–
	1,500	1,470	–	–
Total minimum lease payments	2,100	2,020	–	–
Less: Future finance income	(80)	–	–	–
Present value of minimum finance lease receivable	2,020	2,020	–	–

The finance lease receivable relates to a lease arrangement entered by one of the subsidiaries with a related company to supply offshore equipment and has a remaining lease period of two years.

The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The average effective interest rate was 2.84% (2015: nil) per annum.

8. Assets held for sale

During financial year, management decided to dispose one of its building carried at US\$4,550,000, which represents its fair value less costs of disposal after an impairment loss of US\$268,000. The fair value is derived from the agreed sales price between the Group and the buyer. The board of directors has supported the decision in view of the Group's efforts in optimising its capital structure for continued growth and enhancing shareholders' value. The disposal is expected to complete within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

9. Inventories and work-in-progress

	Group	
	2016 US\$'000	2015 US\$'000
Inventories, at cost	41,876	32,470
Work-in-progress	22,653	19,233
Total inventories and work-in-progress at lower of cost and net realisable value	64,529	51,703
Income statement:		
Inventories recognised as an expense in cost of sales	200,866	174,366
Inventories written off	105	284

10. Trade and other receivables

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade receivables *	170,310	148,435	–	–
Other receivables	7,607	7,942	–	7
Balances due from				
– subsidiaries	–	–	43,917	44,670
– ultimate holding company	–	1,363	–	38
– related companies	15,596	9,001	52	420
	193,513	166,741	43,969	45,135
Add: Cash and cash equivalents (Note 12)	15,624	40,523	56	78
Add: Cash pledged (Note 13)	22,298	2,938	–	–
Total loans and receivables	231,435	210,202	44,025	45,213

* Included in trade receivables is a receivable arising from instalment payment plans granted to customers. The trade receivable was fully settled during the financial year.

	Group	
	2016 US\$'000	2015 US\$'000
Receivables - Gross	–	3,930
Unearned interest income	–	(190)
Net	–	3,740

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

10. Trade and other receivables (cont'd)

(a) Trade receivables

	Group	
	2016 US\$'000	2015 US\$'000
Trade receivables		
– Billed	52,982	71,498
– Unbilled	117,328	76,989
Total	170,310	148,487
Less: Allowance for doubtful debts	–	(52)
Net	170,310	148,435

Analysis of allowance for doubtful debts is as follows:

	Group	
	2016 US\$'000	2015 US\$'000
At beginning of the financial year	52	–
Acquisition of subsidiaries	–	44
Allowance made	–	8
Written off	(52)	–
At end of the financial year	–	52

Allowance for trade receivables are individually assessed at the end of the reporting period. Trade receivables that are individually determined to be impaired at the end of the reporting period relate to amounts that were more than 180 days and in dispute. Management has assessed the probability of collection to be low.

The age analysis of trade receivables is as follows:

	2016		2015	
	Gross US\$'000	Allowance US\$'000	Gross US\$'000	Allowance US\$'000
Not past due or less than 60 days overdue	129,117	–	146,795	–
Past due				
– 61 to 180 days	642	–	463	–
– More than 180 days	40,551	–	1,229	(52)
Total	170,310	–	148,487	(52)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

10. Trade and other receivables (cont'd)

(a) Trade receivables (cont'd)

Trade receivables are non-interest bearing and are normally settled on 30 day terms. The Group deals with customers who are mainly creditworthy offshore fleet owners and/or offshore marine service providers. Based on historical collections experience, the Group believes that no further allowance for doubtful debts is necessary in respect of certain trade receivables which are not past due as well as certain trade receivables which are past due but not impaired. Additional credit risk assessment has been disclosed in Note 29.

Trade receivables – Unbilled pertains to the gross amount due from customers for contract work.

	Group	
	2016 US\$'000	2015 US\$'000
Contract costs incurred to-date	412,998	206,208
Attributable profits less recognised losses to date	101,887	65,889
Less: Progress billings	(416,285)	(241,986)
	98,600	30,111
<i>Represented by:</i>		
Trade receivable – Unbilled	117,328	76,989
Progress billings in excess of cost to customer (Note 14b)	(18,728)	(46,878)
	98,600	30,111

(b) Other receivables

These amounts are unsecured, interest-free and repayable in cash on demand.

(c) Trade and other receivables

Trade and other receivables denominated in foreign currencies as at the end of the reporting periods are as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Singapore Dollar	790	3,378	–	7
Euro	646	777	–	–
Vietnamese Dong	7,013	7,580	–	–
Pound Sterling	3,622	–	–	–
Australian Dollar	1,971	5	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

10. Trade and other receivables (cont'd)

(d) Balances due from ultimate holding company

These amounts are non-trade related, unsecured, repayable on demand and are to be settled in cash.

(e) Balances due from subsidiaries and related companies

Trade receivables are non-interest bearing and are normally settled on 30 day terms.

Non-trade receivables are unsecured, interest-free and repayable in cash on demand. All balances are denominated in United States Dollars.

Details of balances due from subsidiaries and related companies are as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade receivables	15,535	8,020	–	–
Non-trade receivables	61	981	43,969	45,090
Total	15,596	9,001	43,969	45,090

11. Other current assets

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Deposits	330	307	–	–
Prepayments	2,519	1,706	244	236
Advance payments to suppliers	24,634	18,651	–	–
Total	27,483	20,664	244	236

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

12. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Fixed deposits	–	8,165	–	–
Cash and bank balances	15,624	32,358	56	78
Cash and cash equivalents	15,624	40,523	56	78

(a) Cash and bank balances

Cash and bank balances denominated in foreign currencies as at the end of the reporting periods are as follow:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Singapore Dollar	3,280	3,402	31	39
Euro	1,976	2	–	–
Vietnamese Dong	836	475	–	–
Pound Sterling	366	–	–	–
Australian Dollar	457	778	–	–

13. Cash pledged

Certain operating bank accounts of the subsidiaries with balances amounting to US\$22,298,000 (2015: US\$2,938,000) are pledged to financial institutions for banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

14. Trade and other payables

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade payables	44,066	31,450	–	–
Other payables	51,270	75,669	568	593
Balances due to				
– subsidiaries	–	–	100	4,109
– ultimate holding company	294	734	–	–
– related companies	1,280	2,968	–	–
– affiliated companies	209	893	–	–
	97,119	111,714	668	4,702
Add:				
– Bills payable to banks (Note 15)	70,492	39,316	–	–
– Lease obligations (Note 16)	167	1,472	–	–
– Bank term loans (Note 17)	79,399	63,332	–	–
Total financial liabilities carried at amortised cost	247,177	215,834	668	4,702

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms.

Trade payables denominated in foreign currencies as at the end of the reporting periods are as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Singapore Dollar	8,143	7,860
Euro	4,759	2,221
Norwegian Krone	3	598
Vietnamese Dong	22,613	8,252

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

14. Trade and other payables (cont'd)

(b) Other payables

Details of other payables are as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Accrued operating expenses	22,311	27,209	554	539
Other creditors	10,231	1,582	14	54
Progress billings in excess of cost to customer (Note 10a)	18,728	46,878	–	–
Total	51,270	75,669	568	593

Other creditors are unsecured, interest-free, and repayable in cash on demand.

Other payables denominated in foreign currencies as at the end of the reporting periods are as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Singapore Dollar	433	2,153	79	78
Vietnamese Dong	2,212	2,835	–	–

(c) Balances due to ultimate holding company

These amounts are non-trade related, unsecured, repayable on demand and are to be settled in cash.

(d) Balances due to subsidiaries, related companies and affiliated companies

Details of balances due to subsidiaries, related companies and affiliated companies are as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade payables	1,045	563	–	–
Non-trade payables	444	3,298	100	4,109
Total	1,489	3,861	100	4,109

Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms. Purchases from related companies are made at terms equivalent to those prevailing in arm's length transactions with third parties.

Non-trade payables are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

15. Bills payable to banks

	Group	
	2016 US\$'000	2015 US\$'000
Bills payable		
– secured	23,023	11,073
– unsecured	47,469	28,243
Total	70,492	39,316

Bills payable of the Group are secured by way of legal mortgage or pledges of machines/ equipments and assets financed under the loan facility and corporate guarantee from one of the subsidiaries and the Company.

The bills payable of the Group bear interest at 1.30% to 3.50% (2015: 1.30% to 3.50%) per annum above the bank's Cost of Funds ("COF"), Basic Rate or London Inter Bank Offer Rate ("LIBOR") of 0.25% to 2.81% (2015: 0.06% to 2.97%) per annum.

During the financial year, the effective interest rate of the bills payable of the Group ranged from 1.85% to 5.81% (2015: 1.66% to 5.97%) per annum.

Bills payable denominated in foreign currencies as at the end of the reporting periods are as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Singapore Dollar	869	1,676
Euro	2,961	–
Vietnamese Dong	4,459	5,243

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

16. Lease obligations

	Group			
	Minimum lease payments 2016 US\$'000	Present value of payments 2016 US\$'000	Minimum lease payments 2015 US\$'000	Present value of payments 2015 US\$'000
Not later than one year	49	44	397	351
Later than one year but not later than five years	129	123	1,180	1,121
More than five years	–	–	–	–
	129	123	1,180	1,121
Total minimum lease payments	178	167	1,577	1,472
Less: Amounts representing finance charges	(11)	–	(105)	–
Present value of minimum lease payments	167	167	1,472	1,472

Lease terms are for 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

Lease obligations are secured by a charge over the leased assets (Note 4) and bear interests at flat rates ranging from 1.48% to 2.60% (2015: 1.78% to 2.60%) per annum. The effective interest rates ranged from 2.97% to 5.10% (2015: 3.53% to 5.10%) per annum.

Lease obligations are denominated in Singapore Dollar.

17. Bank term loans

	Group	
	2016 US\$'000	2015 US\$'000
Due within 1 year	67,472	49,111
Due within 2 to 5 years	11,927	14,221
Total	79,399	63,332

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

17. Bank term loans (cont'd)

The balance comprises:

Secured	Group	
	2016 US\$'000	2015 US\$'000
(a) Short term loan with principal limit of US\$21,000,000 to finance the purchase of equipment and materials for the construction of a vessel, bears interest at 4.06% (2015: 4.06%) per annum over USD LIBOR of 0.14% (2015: 0.15% to 0.27%) per annum. The loan is secured by way of assignment of shipbuilding contracts and corporate guarantee from Ezra Holdings Limited.	15,316	19,247
(b) Short term loan with principal limit of US\$20,000,000 (2015: US\$70,000,000), bears interest at 1.75% + 2.00% (2015: 1.75% + 2.00%) per annum over USD LIBOR of 0.19% to 0.52% (2015: 0.15% to 0.27%) per annum to finance local purchase. The loan is secured by way of first priority assignment over the benefits of the Borrowers arising from projects, including work-in-progress, charge over earnings account, assignment of insurances and supplier warranties relating to the project and corporate guarantee from Ezra Holdings Limited.	17,762	9,870
(c) Term loan with principal limit of US\$6,000,000 to finance development costs of the yard, bears interest at 2.65% (2015: 2.65%) per annum over bank's cost of funds of 0.60% to 1.25% (2015: 1.25%) per annum. The loan is repayable over 6 semi-annual instalments of US\$1,000,000 each commencing on 11 August 2014. This term loan is secured by way of legal mortgage or pledges of machines/equipments and assets financed under the term loan facility and corporate guarantee from Ezra Holdings Limited.	1,000	3,000
(d) Term loan with principal limit of US\$10,000,000 (2015: US\$3,000,000), bears interest at 3.50% (2015: 3.50%) per annum over USD LIBOR of 0.55% to 0.67% (2015: 0.20%) per annum. The loan is repayable over 20 equal quarterly instalments of US\$500,000 commencing 3 months from the date of drawdown. This term loan is secured by way of legal mortgage or pledges of machines/equipments and assets financed under the term loan facility and corporate guarantee from Triyards Holdings Limited.	4,437	3,000
(e) Term loan with principal limit of US\$7,500,000 (2015: US\$12,000,000), bears interest at 3.35% (2015: 3.35%) per annum over USD LIBOR of 0.34% to 0.98% (2015: 0.40%) per annum. The loan is repayable over 4 equal quarterly instalments of US\$500,000, 5 (2015: 8) equal quarterly instalments of US\$1,000,000 and a final instalment of US\$500,000 (2015: US\$2,000,000). This term loan is secured by corporate guarantee from Triyards Holdings Limited.	4,357	3,383
(f) Term loan with principal limit of S\$5,000,000, bears interest at 3.25% (2015: 3.25%) per annum over SGD Singapore Inter Bank Offer Rate ("SIBOR") of 0.48% to 1.52% (2015: 0.16% to 0.94%) per annum. The loan is repayable by quarterly instalments of S\$240,000. This term loan is secured by way of fixed and floating charge over the assets financed under the term loan facility and corporate guarantee from Triyards Holdings Limited.	881	1,530

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

17. Bank term loans (cont'd)

Secured (cont'd)	Group	
	2016 US\$'000	2015 US\$'000
(g) Project financing loan with total principal limit of S\$4,000,000 (2015: S\$2,400,000), bears interests at 2.50% (2015: 2.50%) per annum over SGD Swap Offer Rate ("SOR") of 0.97% to 1.40% (2015: 0.95% to 1.47%) per annum to finance the cost of construction of new projects in relation to the design, construction and delivery of Vessel. The loan is secured by way of fixed and floating charge over the assets financed under the term loan facility and corporate guarantee from Triyards Holdings Limited.	128	635
(h) Project financing loan with total principal limit of US\$2,500,000, bears interests at 3.60% (2015: 3.60%) per annum over USD LIBOR of 0.19% to 0.20% (2015: 0.19% to 0.20%) per annum to finance the cost of construction of new projects in relation to the design, construction and delivery of Vessel. The loan is secured by way of first priority assignment over the benefits of the Borrowers arising from projects, including work-in-progress, charge over earnings account and assignment of insurances relating to the project and corporate guarantee from Triyards Holdings Limited. The loan was fully repaid during the financial year.	–	2,500
(i) Project financing loan with total principal limit of US\$1,800,000, bears interests at 6.00% (2015: 6.00%) per annum to finance the cost of construction of new projects in relation to the design, construction and delivery of Vessel. The loan is secured by way of fixed and floating charge over the assets financed under the term loan facility and corporate guarantee from Triyards Holdings Limited. The loan was fully repaid during the financial year.	–	1,216
(j) Project financing loan with total principal limit of US\$5,000,000, bears interests at 5.50% (2015: 5.50%) per annum to finance the cost of construction of new projects in relation to the design, construction and delivery of Vessel. The loan is secured by way of fixed and floating charge over the assets financed under the term loan facility and corporate guarantee from Triyards Holdings Limited. The loan was fully repaid during the financial year.	–	2,223
(k) Term loan with principal limit of US\$10,000,000, bears interest at 3.00% (2015: 3.00%) per annum over bank's cost of funds of 3.13% (2015: 3.13%) per annum. The loan is repayable over 60 equal monthly instalments of US\$166,000. This term loan is secured by way of legal mortgage or pledges of machines/ equipments and assets financed under the term loan facility and corporate guarantee from Triyards Holdings Limited.	7,438	9,430
(l) Term loan with principal limit of S\$1,980,000, bears interest at 2.00% per annum. The loan is repayable over 48 equal monthly instalments of S\$41,250. This term loan is secured by way of legal mortgage or pledges of machines/ equipments and assets financed under the term loan facility and corporate guarantee from Triyards Holdings Limited.	1,136	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

17. Bank term loans (cont'd)

Secured (cont'd)	Group	
	2016 US\$'000	2015 US\$'000
(m) Project financing loan with total principal limit of US\$17,850,000, bears interests at 3.00% per annum over USD LIBOR of 0.45% to 1.02% per annum to finance the cost of construction of new projects in relation to the design, construction and delivery of Vessel. The loan is secured by way of first priority assignment over the benefits of the Borrowers arising from projects, including work-in-progress, charge over earnings account and assignment of insurances relating to the project and corporate guarantee from Triyards Holdings Limited.	8,925	–
(n) Project financing loan with total principal limit of US\$20,000,000, bears interests at 3.50% per annum over USD 12 months bank saving interest rate of 0.50% per annum to finance the cost of construction of new projects in relation to the design, construction and delivery of Vessel. The loan is secured by way of first priority assignment over the benefits of the Borrowers arising from projects, including work-in-progress, charge over earnings account and assignment of insurances relating to the project and corporate guarantee from Triyards Holdings Limited.	8,752	–
Unsecured		
(o) Credit facilities with a total amount not exceeding US\$30,000,000, bears interest at 1.60% (2015: 1.50%) per annum over SGD SOR of 0.15% to 0.86% (2015: 0.25% to 0.30%) for interest periods of up to 6 months at the Company's option. The loan is secured by Deed of Guarantee and Indemnity for US\$33,300,000 from Ezra Holdings Limited.	5,000	5,000
(p) Term loan with principal limit of S\$5,000,000, bears interest at 3.50% (2015: 3.50%) per annum over SGD SIBOR of 0.63% to 1.12% (2015: 0.34% to 0.88%) per annum. The loan is repayable over 35 equal monthly instalments of S\$135,000 commencing 1 month from the date of drawdown and a final instalment of S\$275,000. This term loan is secured by way of corporate guarantee from Triyards Holdings Limited.	1,192	2,298
(q) Term loan with principal limit of S\$5,000,000, bears interest at 3.50% per annum over SGD SIBOR of 0.63% to 1.12% per annum. The loan is repayable over 35 equal monthly instalments of S\$135,000 commencing 1 month from the date of drawdown and a final instalment of S\$275,000. This term loan is secured by way of corporate guarantee from Triyards Holdings Limited.	3,075	–
Total	79,399	63,332

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

18. Tax

Major components of tax expense for the financial years ended 31 August 2016 and 2015 are as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Current tax	2,236	3,264	–	–
Withholding tax	214	198	–	–
Deferred tax				
– origination and reversal of temporary difference	(471)	(577)	–	–
(Over)/underprovision in respect of prior years				
– current tax	(237)	(360)	–	–
– deferred tax	77	254	–	–
Tax expense	1,819	2,779	–	–

The reconciliation of the tax expense and the product of profit before tax multiplied by the applicable tax rate of 17% are as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Profit before tax	19,612	29,933	5,246	11,594
Tax at statutory tax rate of 17%	3,334	5,089	892	1,971
Adjustments for tax effect of:				
Difference in overseas tax rate	(85)	1,666	–	–
Expenses not deductible for tax purposes	463	742	128	240
Income not taxable	–	(609)	–	–
Tax exempt income under Section 13A of the Singapore Income Tax Act and rebates available	(118)	(120)	–	–
Tax exempt income	(44)	(38)	(1,020)	(2,211)
Tax incentive	(1,689)	(4,013)	–	–
Overprovision in prior years relating to current and deferred tax	(160)	(106)	–	–
Withholding tax	214	198	–	–
Others	(96)	(30)	–	–
Tax expense	1,819	2,779	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

18. Tax (cont'd)

Tax incentives

Certain subsidiaries in Vietnam are entitled to tax incentives under Vietnam's investment scheme which entitles exemptions from income tax for periods ranging from 2 to 3 years from the first profitable year and thereafter, varying income tax rates ranging from 7.5% to 20%.

Group tax relief

Under the group tax relief system introduced by the Inland Revenue Authority of Singapore ("IRAS"), a Singapore incorporated company may, upon satisfaction of the criteria set out by IRAS, transfer its unabsorbed capital allowances to another company belonging to the same group, to be deducted against the assessable income of the latter company.

Movements in deferred tax liabilities/(assets) are as follows:

	Group	
	2016 US\$'000	2015 US\$'000
At beginning of the financial year	1,759	40
Acquisition of subsidiaries	–	2,101
Charge to profit or loss	(394)	(323)
Translation adjustments	(1)	(59)
At end of the financial year	1,364	1,759

Deferred tax (assets)/liabilities relate to the following:

Deferred tax assets

Accrued operating expenses	(13)	(116)
Unutilised tax losses	(1,218)	(583)
At end of the financial year	(1,231)	(699)

Deferred tax liabilities

Excess of capital allowances over depreciation	962	673
Fair value adjustments arising from acquisition	1,633	1,785
At end of the financial year	2,595	2,458

Net deferred tax liabilities

	1,364	1,759
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

19. Share capital

	Group and Company			
	2016		2015	
	No. of shares	US\$'000	No. of shares	US\$'000
At beginning of the financial year	324,508,913	209,544	295,008,913	193,802
Issuance of shares by way of placement	–	–	29,500,000	15,742
At end of the financial year	324,508,913	209,544	324,508,913	209,544

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

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.

20. Reserves

(A) MERGER RESERVE

Merger reserve represents the difference between the value of shares issued by the Company and the value of shares acquired in respect of the acquisition of subsidiaries and business accounted for under the pooling of interests method arising from the Restructuring Exercise carried out in financial year 2013.

(B) TRANSLATION RESERVE

The translation reserve is used to record exchange differences arising from the translation of the financial statements of operations whose functional currencies are different from that of the Group’s presentation currency.

(C) HEDGING RESERVE

Hedging reserve records the portion of the fair value changes on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

Net change in the reserve arose from net gain on fair value changes on derivative financial instruments.

(D) WARRANTS

On 10 November 2014, 29,500,000 warrants were issued to a third party in exchange for shipbuilding contracts that had been awarded to the Group. Each Warrant carries the right to subscribe for 1 new ordinary share in the capital of the Company (the “New Share”) at the exercise price of US\$0.5626 for each New Share. These warrants had vested upon the award of shipbuilding contracts of at least US\$150,000,000, and contract for provision of engineering services within 240 days of the subscription agreement. They are exercisable from 6 July 2015 to 6 July 2018. As the total value of the warrants is not significant, no amounts had been recorded under equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

21. Revenue

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Engineering and fabrication services	324,892	270,113	–	–
Dividend income from a subsidiary	–	–	6,000	13,000
Total	324,892	270,113	6,000	13,000

22. Other (expenses)/income

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Exchange gain/(loss)	232	(78)	114	12
Fair value changes in respect of derivative instruments, net	(478)	177	–	–
(Loss)/gain on disposal of fixed assets	(670)	71	–	–
Other miscellaneous income	951	1,169	–	–
Gain on bargain purchase of subsidiaries	–	3,590	–	–
Impairment loss on assets held for sale	(268)	–	–	–
Allowance for impairment of fixed assets	(1,740)	–	–	–
Net	(1,973)	4,929	114	12

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

23. Profit from operations

This is determined after charging the following:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Audit fees paid to:				
– Auditor of the Company	113	106	32	32
– Other auditors	75	48	–	–
Non-audit fees paid to:				
– Auditor of the Company	14	7	3	5
– Other auditors	72	167	–	–
Depreciation of fixed assets	11,395	11,925	–	–
Directors' remuneration*				
– Salaries and bonuses	–	402	–	402
– Contributions to defined contribution plans	–	10	–	10
– Benefits-in-kind	36	104	36	104
Directors' fees	227	230	227	230
Key executive officers' remuneration				
– Salaries and bonuses	1,336	782	694	201
– Contributions to defined contribution plans	49	22	24	5
– Other personnel expenses	149	131	57	19
Fixed assets written off	36	72	–	–
Continuous listing expenses	176	184	176	184
Inventories recognised as an expense in cost of sales	200,866	174,366	–	–
Operating lease expenses	716	479	–	–
Amortisation of intangible assets	326	1,112	–	–
Bad debts written off, net	–	41	–	–
Allowance for doubtful debts, net	–	8	–	–
Inventories written off	105	284	–	–

* Refers to directors of the Company

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

24. Personnel expenses

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Salaries and bonuses	44,319	31,681	1,067	818
Contributions to defined contribution plans	3,825	2,975	24	15
Other personnel expenses	4,174	2,846	83	163
Less: Reallocation of personnel expenses directly attributable to work-in-progress and cost of sales	(36,123)	(23,310)	–	–
Less: Recharge to a subsidiary	–	–	(730)	–
Net	16,195	14,192	444	996

Personnel expenses include amounts shown as directors' remuneration and fees and key executive officers' remuneration in Note 23.

25. Financial expenses

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Bank charges	556	942	2	2
Interest expenses				
– Term loans and bills payable	4,356	3,966	–	–
– Finance leases	20	63	–	–
Total	4,932	4,971	2	2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

26. Earnings per share

Earnings per ordinary share ("EPS") is calculated by dividing the Group's net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. The calculation of the basic and fully diluted earnings per share of the Group is based on the following:

	Group	
	2016 US\$'000	2015 US\$'000
Net profit attributable to owners of the Company	17,793	27,154
Number of weighted average ordinary shares ('000)		
– Basic earnings per share	324,509	322,246
– Diluted earnings per share	324,509	322,246
EPS (US cents)		
– Basic	5.48	8.43
– Diluted	5.48	8.43

As at the end of the reporting periods, the basic and fully diluted EPS were the same as the effect of warrants is anti-dilutive since the average market price is lower than the exercise price of the warrants.

27. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into transactions with related parties on terms agreed between the parties during the financial year as shown below:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Income				
Engineering and fabrication services to related companies	19,722	23,345	–	–
Provision of berthing and repair services rendered to related companies	1,275	574	–	–
Engineering and fabrication services to affiliated companies	80	67	–	–
Sales of goods to a related company	–	13	–	–
Dividend income from a subsidiary	–	–	6,000	13,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

27. Related party transactions (cont'd)

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Expenses				
Purchases of goods and services from related companies	3,206	7,564	–	–
Management fees charged by ultimate holding company	1,199	1,459	–	–
IT services fee charged by a related company	643	434	–	–

Directors' remuneration and fees and key executive officers' remuneration have been disclosed in Note 23.

28. Commitments and corporate guarantees

(A) CAPITAL EXPENDITURE COMMITMENT

	Group	
	2016 US\$'000	2015 US\$'000
Capital expenditure not provided for in the financial statements:		
– Approved and contracted for in respect of yard development	11,641	26,258

(B) LEASE COMMITMENTS – GROUP AS LESSEE

The Group has various operating lease agreements for leasing of land, office premises and shipyard workers' accommodation. These leases contain certain price adjustment clauses. Except for the foregoing and the land lease rate which may increase up to 15% every 5 years until the end of the lease term, the other lease arrangements do not contain any escalation clauses, do not provide for contingent rents and do not contain restrictions on the Group's activities concerning dividends, additional debts and further leasing. Future minimum lease payments payable under non-cancellable operating leases are as follows as at the end of the reporting periods:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

28. Commitments and corporate guarantees (cont'd)

(B) LEASE COMMITMENTS – GROUP AS LESSEE (CONT'D)

	Group	
	2016 US\$'000	2015 US\$'000
Not later than one year	3,036	2,738
Later than one year but not later than five years	10,061	7,934
Later than five years	56,104	41,980
Total	69,201	52,652

These leases have remaining lease terms of between 1 to 30 (2015: 1 to 31) years.

(C) CORPORATE GUARANTEES

(i) Corporate guarantees issued for shipbuilding contracts

The Company has provided corporate guarantees amounting to US\$476,830,000 (2015: US\$154,081,000) to unrelated parties for certain subsidiaries' performance obligations of the shipbuilding contracts.

Corporate guarantees given by the Company will become due and payable on demand when an event of default occurs.

The maximum amount of the financial guarantee contracts is allocated to the earliest period which is within one year, in which the guarantee could be called.

(ii) Corporate guarantees issued for bank facilities granted to subsidiaries

The Company had issued corporate guarantees to banks for granting banking facilities to certain subsidiaries, which it is liable for in the event of default by the subsidiaries to a maximum amount of US\$200,053,000 (2015: US\$95,493,000).

(iii) Corporate guarantees issued for joint bank facilities

The Company has guaranteed part of the joint bank facilities granted to the Company and the ultimate holding company, which it is liable for in the event of default by the ultimate holding company to a maximum amount of US\$30,000,000 (2015: nil). However, the financial guarantee liability was mitigated by a letter of undertaking issued by the ultimate holding company to the Company whereby the ultimate holding company shall reimburse and pay to the Company in the event the Company had repaid any portion on behalf of the ultimate holding company.

(iv) Financial support

The Company has given an undertaking to provide financial support to certain subsidiaries to enable these subsidiaries to operate as a going concern and to meet their obligations for at least twelve months from the dates of the directors' statement of the respective subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

29. Financial risk management objectives and policies

The Group is exposed to financial risks including interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group's principal financial instruments, other than derivative financial instruments, comprise bills payable to banks, lease obligations, bank term loans, finance lease receivable and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group uses derivative financial instrument such as forward currency contracts to hedge underlying risk exposure and the transactions are not entered into for speculative purposes.

The Group's overall risk policy is to minimise potential adverse effects on the Group's financial performance.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Management reviews and agrees policies for managing these risks and they are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate exposure relates primarily to its long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

Additional information relating to the Group's interest rate exposure is also disclosed in the notes relating to its borrowings and fixed deposits. The other financial instruments of the Group are not subject to interest rate risks.

Sensitivity analysis of interest rate risk

It is estimated that a one percentage point increase/decrease in interest rate with all other variables held constant would decrease/increase the Group's profit before tax by approximately US\$1,258,000 (2015: US\$1,147,000). The analysis is performed on the same basis for 2015.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations when due.

The carrying amounts of trade and other receivables, amounts due from ultimate holding company and related companies, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

The Group has established credit limits for creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

29. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Fixed deposits and cash and bank balances are placed with reputable financial institutions. Management believes that the financial institutions that hold the Group's assets are financially sound and accordingly, minimal credit risk exists with respect to these assets.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting periods are as follows:

	Group			
	2016		2015	
	US\$'000	% of total	US\$'000	% of total
By country:				
Asia	50,424	30	74,895	50
Europe	114,856	67	73,096	49
Other countries	5,030	3	496	1
	170,310	100	148,487	100

As at the end of the reporting periods, the Group had 4 (2015: 6) major customers that accounted for approximately 94% (2015: 94%) of the Group's gross trade receivables.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 10.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group's funding is obtained from funds generated from operations, bills payable to banks, finance lease and bank term loans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

29. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

The table below analyses the Group's and the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not expected to be significant.

Year ended 31 August 2016	Group			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
Financial assets:				
Trade receivables	170,310	–	–	170,310
Other receivables	7,607	–	–	7,607
Finance lease receivable	600	1,500	–	2,100
Balances due from				
– related companies	15,596	–	–	15,596
Cash and cash equivalents	15,624	–	–	15,624
Cash pledged	22,298	–	–	22,298
Total undiscounted financial assets	232,035	1,500	–	233,535
Financial liabilities:				
Trade payables	44,066	–	–	44,066
Other payables	51,270	–	–	51,270
Balances due to				
– ultimate holding company	294	–	–	294
– related companies	1,280	–	–	1,280
– affiliated companies	209	–	–	209
Derivative financial instruments	1,187	–	–	1,187
Bills payable to banks	71,136	–	–	71,136
Lease obligations	49	129	–	178
Bank term loans	68,563	13,012	–	81,575
Total undiscounted financial liabilities	238,054	13,141	–	251,195
Total net undiscounted financial liabilities	(6,019)	(11,641)	–	(17,660)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

29. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

Year ended 31 August 2015	Group			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
Financial assets:				
Trade receivables	148,435	–	–	148,435
Other receivables	7,942	–	–	7,942
Derivative financial instruments	177	–	–	177
Balances due from				
– ultimate holding company	1,363	–	–	1,363
– related companies	9,001	–	–	9,001
Cash and cash equivalents	40,523	–	–	40,523
Cash pledged	2,938	–	–	2,938
Total undiscounted financial assets	210,379	–	–	210,379
Financial liabilities:				
Trade payables	31,450	–	–	31,450
Other payables	75,669	–	–	75,669
Balances due to				
– ultimate holding company	734	–	–	734
– related companies	2,968	–	–	2,968
– affiliated companies	893	–	–	893
Derivative financial instruments	126	–	–	126
Bills payable to banks	39,742	–	–	39,742
Lease obligations	397	1,180	–	1,577
Bank term loans	50,518	15,365	–	65,883
Total undiscounted financial liabilities	202,497	16,545	–	219,042
Total net undiscounted financial assets/(liabilities)	7,882	(16,545)	–	(8,663)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

29. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

Year ended 31 August 2016	Company			
	One year or less US\$'000	One to five years US\$'000	Over five years US\$'000	Total US\$'000
Financial assets:				
Balances due from				
– subsidiaries	43,917	–	–	43,917
– related companies	52	–	–	52
Cash and cash equivalents	56	–	–	56
Total undiscounted financial assets	44,025	–	–	44,025
Financial liabilities:				
Other payables	568	–	–	568
Balances due to subsidiaries	100	–	–	100
Total undiscounted financial liabilities	668	–	–	668
Total net undiscounted financial assets	43,357	–	–	43,357
Year ended 31 August 2015				
Financial assets:				
Other receivables	7	–	–	7
Balances due from				
– subsidiaries	44,670	–	–	44,670
– ultimate holding company	38	–	–	38
– related companies	420	–	–	420
Cash and cash equivalents	78	–	–	78
Total undiscounted financial assets	45,213	–	–	45,213
Financial liabilities:				
Other payables	593	–	–	593
Balances due to subsidiaries	4,109	–	–	4,109
Total undiscounted financial liabilities	4,702	–	–	4,702
Total net undiscounted financial assets	40,511	–	–	40,511

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

29. Financial risk management objectives and policies (cont'd)

Foreign currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in a currency other than the respective functional currencies, arising mainly from operating expenses, borrowings and interest expenses. It is the Group's policy to hedge these risks through foreign currency forward exchange contracts, if material. The primary purpose of the Group's foreign currency hedging activities is to protect against the volatility associated with foreign currency liabilities created in the normal course of business.

In addition, the Group uses foreign currency forward exchange contracts to minimise the currency exposures on payments of major capital commitments. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

As at 31 August 2016, the Group has significant foreign currency exposure in Singapore Dollar ("SGD"), Euro ("EUR"), Norwegian Krone ("NOK"), Vietnamese Dong ("VND"), Pound Sterling ("GBP") and Australian Dollar ("AUD") in its cash and cash equivalents, trade and other receivables, trade and other payables, bills payable to banks, lease obligations and bank term loans as disclosed in the respective notes.

Sensitivity analysis for foreign currency risk

A 10% strengthening of foreign currencies against USD at the end of the reporting period would have increased/ (decreased) profit before tax by the amounts as shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit before tax	
	2016 US\$'000	2015 US\$'000
Group		
<i>Foreign currencies against USD</i>		
– SGD	(1,179)	(937)
– EUR	(510)	(144)
– NOK	–	(60)
– VND	(2,144)	(828)
– GBP	397	(8)
– AUD	245	81
Company		
<i>Foreign currencies against USD</i>		
– SGD	(5)	(3)

A 10% weakening of foreign currencies against USD will have approximately equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

29. Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

Derivative financial instruments and hedging activities

Derivative financial instruments included in the statement of financial position as at the end of the reporting periods are as follows:

	Group			
	2016		2015	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Current:				
Forward currency contracts	–	1,187	177	126

The table below sets out the notional principal amount of the forward currency contracts of the Group as at the end of the reporting periods:

	Group	
	2016 US\$'000	2015 US\$'000
Notional amount of forward currency contracts	46,036	16,771

As at the end of the reporting periods, the Group held 23 (2015: 19) forward currency contracts to hedge the Group's foreign currency exposure in respect of the Group's sales and purchases denominated in Euro and Taiwan Dollar with notional values of US\$39,689,000 and US\$6,347,000 (2015: US\$8,108,000 and US\$8,663,000) respectively.

The cash flow hedges of the expected future sales ranging from October 2016 to December 2017 were assessed to be highly effective, and as at end of the reporting period, a net unrealised loss of US\$885,000 (2015: nil) was included in other comprehensive income in respect of these contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

30. Fair value of financial instruments

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group			
	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Financial liabilities:				
Derivative financial instruments (Note 29)				
– Forward currency contracts	–	1,187	–	1,187
As at 31 August 2016	–	1,187	–	1,187
Financial assets:				
Derivative financial instruments (Note 29)				
– Forward currency contracts	–	177	–	177
As at 31 August 2015	–	177	–	177
Financial liabilities:				
Derivative financial instruments (Note 29)				
Forward currency contracts	–	126	–	126
As at 31 August 2015	–	126	–	126

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

30. Fair value of financial instruments (cont'd)

(a) Fair value of financial instruments that are carried at fair value (cont'd)

Determination of fair value

Derivative financial instruments – Derivatives are valued using a valuation technique with market observable inputs. Forward currency contracts are determined by reference to published market prices or bankers' quotes at the end of the reporting period without factoring in transaction costs.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

(i) Trade and other receivables, trade and other payables, balances due from/(to) subsidiaries, ultimate holding company, related and affiliated companies, cash and cash equivalents and cash pledged

The carrying amounts of these balances approximate fair values due to their short-term nature.

(ii) Bills payable to banks, lease obligations and bank term loans

The carrying values of the balances (except for lease obligations) approximate fair value as these balances are of variable interest rate with re-pricing features.

The carrying value of lease obligations approximate fair value as the current lending rates for similar types of lending arrangements are not materially different from the rates obtained by the Group.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Finance lease receivable – Fair value is estimated based on a discounted cash flow basis using the Group's weighted average interest rate of floating rate loans of 2.84% (2015: nil) per annum which is representative of the market rate applicable to companies with similar risk profile.

31. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to owners of the Company. The Group's policy is to ensure that gearing ratio does not exceed 250%. In order to maintain or adjust the capital structure, the Group may issue new shares, buy back issued shares, obtain new borrowings or reduce its borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

31. Capital management (cont'd)

The Group defines net debt as loans and borrowings, less cash and cash equivalents and cash pledged. Capital includes equity attributable to owners of the Company and reserves.

	Group	
	2016 US\$'000	2015 US\$'000
Loans and borrowings	150,058	104,120
Less: Cash and cash equivalents and cash pledged (Note 12 and 13)	(37,922)	(43,461)
Net debt	112,136	60,659
Equity attributable to owners of the Company	223,580	208,413
Net gearing ratio (%)	50	29

The Group is required to comply with certain minimum net worth, gearing ratio and interest coverage ratio covenants in connection with its loans and borrowings. The Group continuously monitors its compliance with these covenants. As at the end of the reporting periods, the Group has complied with these covenants.

32. Segment information

Segment accounting policies are the same as the policies described in Note 2.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit from operations.

Inter-segment pricing, if any, is determined on an arm's length basis.

Group financing and income taxes are managed on a group basis and are not allocated to the operating segments.

In presenting geographical information, segment revenue is based on the billing location of customers.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

32. Segment information (cont'd)

Financial year ended 31 August 2016	Engineering and Fabrication Services US\$'000	Group US\$'000
Revenue		
Sales to external customers	324,892	324,892
Profit from operations	24,323	24,323
Financial income		221
Financial expenses		(4,932)
Tax		(1,819)
Net profit for the financial year		17,793
Assets		
Segment assets	477,885	477,885
Unallocated assets		352
Total assets		478,237
Liabilities		
Segment liabilities	254,089	254,089
Unallocated liabilities		568
Total liabilities		254,657
Other information		
Capital expenditure	21,043	21,043
Unallocated capital expenditure		–
Total capital expenditure ⁽¹⁾		21,043
Depreciation and amortisation	11,721	11,721
Unallocated depreciation and amortisation		–
Total depreciation and amortisation		11,721

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

32. Segment information (cont'd)

Financial year ended 31 August 2015	Engineering and Fabrication Services US\$'000	Group US\$'000
Revenue		
Sales to external customers	270,113	270,113
Profit from operations	34,847	34,847
Financial income		57
Financial expenses		(4,971)
Tax		(2,779)
Net profit for the financial year		27,154
Assets		
Segment assets	429,392 ⁽²⁾	429,392 ⁽²⁾
Unallocated assets		779 ⁽²⁾
Total assets		430,171
Liabilities		
Segment liabilities	221,165 ⁽²⁾	221,165 ⁽²⁾
Unallocated liabilities		593 ⁽²⁾
Total liabilities		221,758
Other information		
Capital expenditure	16,995 ⁽²⁾	16,995 ⁽²⁾
Unallocated capital expenditure		—
Total capital expenditure ⁽¹⁾		16,995
Depreciation and amortisation	13,037 ⁽²⁾	13,037 ⁽²⁾
Unallocated depreciation and amortisation		—
Total depreciation and amortisation		13,037

⁽¹⁾ Capital expenditure consists of additions to fixed assets.

⁽²⁾ The comparative figures have been restated to reflect changes in composition of each reportable segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

32. Segment information (cont'd)

GEOGRAPHICAL INFORMATION

Revenue ⁽³⁾	Group	
	2016 US\$'000	2015 US\$'000
Asia	107,389	102,459
Europe	153,960	141,168
Other countries ⁽⁴⁾	63,543	26,486
Total	324,892	270,113

⁽³⁾ Revenue is based on the location of customers.

⁽⁴⁾ Other countries include Americas, Australia, Egypt, Marshall Islands, and New Zealand, out of which contribution from Marshall Islands was US\$44,933,000 (2015: US\$21,223,000) during the financial year.

Revenue from 13 (2015: 10) major customers amounting to US\$262,114,000 (2015: US\$196,737,000) arose from sales by the Engineering and Fabrication Services segment.

Non-current assets (comprising fixed assets, intangible assets and finance lease receivable) are based on the location of the companies that own those assets.

Non-current assets	Group	
	2016 US\$'000	2015 US\$'000
Vietnam	106,155	91,782
Americas	12,041	17,975
Singapore	30,226	36,932
Total	148,422	146,689

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2016

33. Dividends

	Group and Company	
	2016 US\$'000	2015 US\$'000
Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
Final exempt (one-tier) dividend for 2015: SGD 1.0 cent (2014: SGD 2.0 cents) per share	2,292	2,480
Proposed but not recognised as a liability as at 31 August:		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM</i>		
Final exempt (one-tier) dividend for 2015: SGD 1.0 cent per share	–	2,292

34. Authorisation of financial statements

The financial statements for the financial year ended 31 August 2016 were authorised for issue in accordance with a resolution of the directors on 21 November 2016.

STATISTICS OF SHAREHOLDINGS

As at 1 November 2016

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	518	4.59	14,166	0.00
100 - 1,000	6,247	55.33	3,110,256	0.96
1,001 - 10,000	3,273	28.99	12,206,998	3.76
10,001 - 1,000,000	1,238	10.96	58,763,716	18.11
1,000,001 AND ABOVE	15	0.13	250,413,777	77.17
TOTAL	11,291	100.00	324,508,913	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	DBS NOMINEES (PRIVATE) LIMITED	107,222,179	33.04
2	OVERSEA CHINESE BANK NOMINEES PRIVATE LIMITED	98,828,117	30.45
3	RHB BANK NOMINEES PTE LTD	16,174,440	4.98
4	CITIBANK NOMINEES SINGAPORE PTE LTD	6,120,515	1.89
5	HSBC (SINGAPORE) NOMINEES PTE LTD	4,558,487	1.40
6	RAFFLES NOMINEES (PTE) LIMITED	3,206,838	0.99
7	YAP MUI CHENG, ANGELA	2,861,000	0.88
8	OCBC SECURITIES PRIVATE LIMITED	1,825,982	0.56
9	SNG KAY BOON TERENCE	1,758,400	0.54
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,582,285	0.49
11	YEO SENG BUCK	1,578,600	0.49
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,442,224	0.44
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,102,700	0.34
14	HENG SIEW ENG	1,082,000	0.33
15	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,070,010	0.33
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	986,394	0.30
17	YEO SONG HENG	970,000	0.30
18	UOB KAY HIAN PRIVATE LIMITED	902,330	0.28
19	PHILLIP SECURITIES PTE LTD	895,333	0.28
20	JACK INVESTMENT PTE LTD	882,900	0.27
	TOTAL	255,050,734	78.58

STATISTICS OF SHAREHOLDINGS

As at 1 November 2016

Substantial Shareholders as at 1 November 2016

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Ezra Holdings Limited	197,656,235 ⁽¹⁾	60.91	–	–
Lee Chye Tek Lionel ⁽²⁾	16,959,038 ⁽³⁾	5.23	201,302,827 ⁽⁴⁾	62.03

⁽¹⁾ The shares are being held under the name of the following nominees:

	No. of Shares
DBS Nominees (Private) Limited	98,828,118
Oversea Chinese Bank Nominees Private Limited	98,828,117

⁽²⁾ Mr Lee Chye Tek Lionel is deemed to be interested in the shares held by Ezra Holdings Limited and Jit Sun Investments Pte Ltd by virtue of his 23.19% shareholdings in Ezra Holdings Limited and 100% shareholdings in Jit Sun Investments Pte Ltd.

⁽³⁾ The shares are being held under the name of the following nominees:

	No. of Shares
HSBC (Singapore) Nominees Pte Ltd	300,000
RHB Bank Nominees Pte Ltd	16,174,438

⁽⁴⁾ The shares are being held under the name of the following nominees:

	No. of Shares
HSBC (Singapore) Nominees Pte Ltd	3,400,000

Shareholding by the Public

Based on information available to the Company as at 1 November 2016, approximately 32.28% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Triyards Holdings Limited (the “Company”) will be held at 51 Shipyard Road, Singapore 628139 on Wednesday, 21 December 2016 at 3 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the financial year ended 31 August 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr. Lim Kuan Meng, who will retire pursuant to Article 90 of the Company’s Constitution and who, being eligible, will offer himself for re-election. **(Resolution 2)**

* *Mr. Lim Kuan Meng will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee, and a member of the Nominating Committee and Remuneration Committee.*
3. To re-elect Mr. Soh Chun Bin, who will retire by rotation pursuant to Article 106 of the Company’s Constitution and who, being eligible, will offer himself for re-election. **(Resolution 3)**

* *Mr. Soh Chun Bin will, upon re-election as Director of the Company, remain as the Lead Independent Director, Chairman of the Nominating Committee, and a member of the Audit Committee and Remuneration Committee.*
4. To re-elect Mr. Lee Kian Soo as Director of the Company. **(Resolution 4)**
5. To approve the payment of Directors’ fees of US\$227,450 for the financial year ended 31 August 2016. **(Resolution 5)**
6. To re-appoint Ernst & Young LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to allot and issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the “Companies Act”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be hereby authorised and empowered to:

- (a) (i) issue shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued Shares (excluding treasury Shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury Shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares and Instruments shall be based on the total number of issued Shares (excluding treasury Shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See Explanatory Note (i)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

9. **Proposed Renewal of Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

- (a) approval is to be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the classes of Interested Person Transactions as set out in the Appendix dated 30 November 2016 (the "Appendix") to the Annual Report, with any party who is of the class of Interested Persons described in the Appendix, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such Interested Person Transactions as set out in the Appendix (the "Shareholders' Mandate");
- (b) the Shareholders' Mandate shall, unless varied or revoked by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit.

[See Explanatory Note (ii)]

(Resolution 8)

10. **Proposed Renewal of the Share Buyback Mandate**

That:

- (a) for the purposes of the Companies Act, the exercise by the Directors of the Company of all powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market purchases ("Market Purchases", and each, a "Market Purchase"), transacted on the SGX-ST or, as the case may be, any other stock exchange on which Shares may for the time being listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) off-market purchases ("Off-Market Purchases", and each, an "Off-Market Purchase") effected pursuant to an equal access scheme (as defined in section 76C of the Companies Act),

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the listing rules of the SGX-ST as may for the time being be applicable as set out in the Appendix dated 30 November 2016 to the Annual Report, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

- (b) unless varied or revoked by the Company in a general meeting, have the authority pursuant to the Share Buyback Mandate exercisable at any time and from time to time, from the date of the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting of the Company is held or required by law or the Constitution of the Company to be held;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked in a general meeting; or
- (iii) the date on which the share buybacks pursuant to the Share Buyback Mandate are carried out to the full extent mandated; and
- (c) complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.
- (d) In this Resolution:

“Maximum Price” in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price, where:

“Average Closing Price” means the average of the closing market prices of the Shares over the last five Market Days, on which transactions in the Shares were recorded on the SGX-ST, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

“Highest Last Dealt Price” means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

“day of the making of the offer” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“Limit” means five per cent. (5%) of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury Shares that may be held by the Company from time to time); and

“Relevant Period” means the period commencing from the date of the Annual General Meeting and expiring on the date the next Annual General Meeting is held or is required by law to be held, whichever is the earlier, after the date of this Resolution.

[See Explanatory Note (iii)]

(Resolution 9)

By Order of the Board

Shannon Ong
Company Secretary
Singapore, 30 November 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, fifty per cent. (50%) of the total number of issued Shares (excluding treasury Shares) in the capital of the Company, of which up to twenty per cent. (20%) may be issued other than on a *pro rata* basis to existing shareholders of the Company.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares in the capital of the Company will be calculated based on the total number of issued Shares (excluding treasury Shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

- (ii) The Ordinary Resolution 8 proposed in item 9 above, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously varied or revoked by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
- (iii) The Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to repurchase ordinary issued Shares of the Company by way of market purchase(s) or off-market purchase(s) of up to five per cent. (5%) of the total number of issued Shares (excluding treasury Shares) in the capital of the Company at the Maximum Price.

Notes:

1. A member of the Company who is not a relevant intermediary is entitled to appoint one or two proxy/proxies to attend, speak and vote at the Annual General Meeting. Where a member appoints two proxies, the proportion of the shareholding concerned (expressed as a percentage of the whole) to be represented by each such proxy shall be specified in the instrument appointing the proxy or proxies, failing which the first named proxy shall be treated as representing one hundred per cent. (100%) of the shareholding and any second named proxy as an alternate to the first named.
2. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
3. A member of the Company that is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the office of Boardroom Corporate & Advisory Services Pte Ltd located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding the Annual General Meeting.
5. The instrument of appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument of proxy is executed by a corporation, it must be either under its seal or under the hand of any officer or attorney duly authorised.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or its service providers) to update its scrip holders' information (if applicable) and to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

TRIYARDS HOLDINGS LIMITED

CO. REG. NO. 201210555Z

(Incorporated In The Republic of Singapore with limited liability)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Triyards Holdings Limited shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

I/We, _____ (Name) _____ (NRIC/Passport no.) of

_____ (Address)

being a member/members of Triyards Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/ Passport No.	Address	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	NRIC/ Passport No.	Address	Proportion of Shareholdings	
			No. of Shares	%

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "AGM") of the Company to be held on Wednesday, 21 December 2016 at 3 p.m. at 51 Shipyard Road Singapore 628139 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1.	Adoption of Directors' Report and Audited Accounts for the financial year ended 31 August 2016		
2.	Re-election of Mr. Lim Kuan Meng as a Director of the Company		
3.	Re-election of Mr. Soh Chun Bin as a Director of the Company		
4.	Re-election of Mr. Lee Kian Soo as a Director of the Company		
5.	Approval of Directors' fees for the financial year ended 31 August 2016		
6.	Re-appointment of Ernst & Young LLP as Auditors of the Company		
7.	Authority to allot and issue new Shares		
8.	Proposed renewal of Shareholders' Mandate for Interested Person Transactions		
9.	Proposed renewal of the Share Buyback Mandate		

Dated this _____ day of _____ 2016

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	



Notes :

1. A member of the Company who is not a relevant intermediary is entitled to appoint one or two proxy/proxies to attend, speak and vote at the AGM. Where a member appoints two proxies, the proportion of the shareholding concerned (expressed as a percentage of the whole) to be represented by each such proxy shall be specified in the instrument appointing the proxy or proxies, failing which the first named proxy shall be treated as representing one hundred per cent. (100%) of the shareholding and any second named proxy as an alternate to the first named.
2. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore (the **"Companies Act"**).

3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at the AGM, in accordance with its constitution and Section 179 of the Companies Act.
6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the office of Boardroom Corporate & Advisory Services Pte Ltd located at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding of the AGM.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time of the AGM as certified by The Central Depository (Pte) Limited to the Company and accept as the maximum number of votes which in aggregate the proxy or proxies is or are able to cast on a poll a number which is the number of shares entered against the name of that member in the Depository Register as at 72 hours before the time of the AGM as certified by The Central Depository (Pte) Limited to the Company, whether that number is greater or smaller than the number specified in such instrument appointing a proxy or proxies.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for holding of the AGM.
10. Completion and return of this instrument appointing a proxy shall not preclude a member from attending, speaking and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy, to the AGM.
11. Any alteration made in this instrument appointing a proxy or proxies must be initialled by the person who signs it.
12. By submitting this Proxy Form appointing a proxy/proxies, the Depositor(s) accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

STRENGTH IN DIVERSITY

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