



GRAND BANKS YACHTS LIMITED

(Company Reg. No.: 197601189E)

Quarterly Update Pursuant to Listing Rule 1313 (2)

With effect from 5 December 2011, Grand Banks Yachts Limited (the “Company”) was included on the Watch-List pursuant to Rule 1311 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “Exchange”).

Pursuant to Rule 1313 (2), the Board of Directors of the Company would like to provide an update of the Company and its subsidiaries (collectively the “Group”) for the quarter ended 31 March 2014 (“3Q 2014”) (to be read in conjunction with Sections 8, 9 & 10 of Appendix 7.2 released on 26 April 2014 via SGXNET).

In response to an application by the Company, the Exchange replied that it will take into account the Company’s financial performance for the two full financial years after its entry into the Watch-List, namely the financial year ended 30 June 2013 and the financial year ending 30 June 2014 (“FY2014”). As such, the Exchange will assess the Company’s compliance with Rule 1314 after it announces its results for FY2014.

1. Financial Position

The Group reduced its operating cash outflow for 3Q 2014 to S\$2.3 million from S\$3.1 million for 3Q 2013, mainly due to the reversal to profit in 3Q 2014 from a loss in 3Q 2013. Cash flows from investing activities generated S\$0.3 million for the period, compared to amount used of S\$0.3 million in Q3 2013, mainly from the proceeds of matured debt securities held-for-trading and lower purchases of property, plant and equipment for the period. As a result, cash and cash equivalents decreased to S\$22.3 million as at 31 March, 2014 from S\$24.3 million as at 31 December, 2013.

2. Future Direction

Amidst the recovering U.S. luxury boat market, regional buying interest, especially in Singapore and Japan, has also picked up. The Group’s net order book has grown after participating in several boat shows in the third quarter just completed, including the second biggest boat show in the U.S.A. – the Miami International Boat Show held in February 2014 and the Yokohama Boat Show held in March 2014. As a result, the Group recorded yacht sales in the U.S.A., Japan and Singapore. The increased buying interest in these markets brought the Group’s net order book to S\$10.6 million as at 31 March, 2014, an increase of S\$1.6 million compared to S\$9.0 million at the end of 2Q 2014.

The Group appointed new dealers in 3Q 2014 to replace the company-owned retail stores in Seattle, U.S.A. and Australia. The Group appointed Stan Miller Yachts for the states of Washington, Oregon, Alaska, Wyoming, Utah and Idaho in the U.S.A. and Great Southern Marine Pty Ltd for Australia. The Group will leverage on their combined strengths to boost sales in the U.S. Pacific Northwest as well as Australia. These efforts will reduce the Group’s direct sales and marketing costs.

In February 2014, Grand Banks commenced Factory Direct sales in Singapore. The sales office in Singapore, the Group's only factory-owned store, allows buyers to deal directly with its executives in its yard in Johor, Malaysia and Singapore, for sales and after-sales support. Apart from sharpening focus in Asia, where there appears to be increasing buying interest, it should also contribute to margin improvement for boats sold locally. The Group recently participated in the 10-13 April Singapore Yacht Show (where it showcased three boats, its largest-ever in Singapore), during which it received an order from a Singaporean buyer for a yacht.

On 11 April, 2014, the Group announced it has entered into a conditional put and call option agreement to acquire the entire share capital of Palm Beach Motor Yacht Pty Ltd ("Palm Beach") of Australia. Upon exercise of the option, Palm Beach founder Mr. Mark Richards will be appointed Chief Executive Officer of the enlarged Group. The Group believes that the proposed acquisition, if approved by shareholders, will further strengthen its position as a global company with two world-class brands that are well represented in the leading markets of North America, Australia, Asia and Europe.

By Order of the Board

GRAND BANKS YACHTS LIMITED

26 April 2014