



GRAND BANKS YACHTS LIMITED
(Company Reg. No.: 197601189E)
(the “**Company**”)

**ANNUAL GENERAL MEETING TO BE HELD ON 28 OCTOBER 2021 (“AGM”)
- RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM
SHAREHOLDERS**

The Board of Directors (the “**Board**”) of Grand Banks Yachts Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s FY2021 Annual Report and the Notice of AGM announced in SGXNet on 12 October 2021 and, in particular, requesting for shareholders to submit questions in advance of the AGM.

The Company would like to thank shareholders for submitting their questions in advance of our AGM. Please refer to the Appendix A as attached hereto for the list of questions received from shareholders, and the Board and Management’s responses to these questions.

BY ORDER OF THE BOARD

GRAND BANKS YACHTS LIMITED
Ler Ching Chua
Company Secretary

27 October 2021

Appendix A

1. Describe Grand Banks Yachts (GBY)'s financial performance over the past few years. What strategies have you put in place to maintain or accelerate the growth trajectory?

For FY2021, the Group recorded a sixth year of profitability even amid the COVID-19 pandemic. This record reflects the success of strategies and execution under the leadership of our CEO, Mark Richards. The strategies had included introduction of new boat designs and models, operational and production efficiencies, and marketing and promotion activities.

The pandemic has imposed significant challenges on the global yachting industry and on Grand Banks in particular. Our strategic approach has been to respond to these challenges while building upon the momentum achieved over the past few years.

The pandemic affected the Company in the following ways:

- Due to travel restrictions, there has been pent-up demand for leisure activities such as yachting. Buyers responded to the new marketing strategies including emphasis on an online experience to supplement physical boat shows. Hence, the recorded increase in boat sales during the pandemic. The Group intends to offer new designs and engage buyers with a combination of a return to physical boat shows and enhanced digital marketing and online engagement.
- Due to COVID-19 restrictions imposed by the Malaysian Government, our yard in Pasir Gudang, experienced temporary shutdowns, especially in the second half of FY2021. This has affected boat construction and caused delays in delivery.
- Heightened health safety measures have been introduced including regular ART tests for all staff, particularly at Pasir Gudang yard.

Beyond these specific COVID-19 responses, the Group has outlined a three-prong strategic plan:

- Strategy #1
 - i) Refreshing the Group's product range with an emphasis on new designs which are sleeker and more energy efficient. The GB54 made its European debut in Cannes in September 2021 and remains our most popular design. We will debut the Grand Banks 85 in the coming months. Other designs will also be introduced at the appropriate time to maximise market opportunities; and
 - ii) Improving efficiencies at our manufacturing facility in Pasir Gudang, including introduction of robotic-assisted mould development, CNC machines, construction of an in-house pool and roof improvements.
- Strategy #2
 - i) To respond to changes in the marketplace during the pandemic, the Group has begun repositioning marketing, branding and customer engagement strategies. During the pandemic, a complete overhaul of marketing and advertising activities led to the launch of new websites for both Grand Banks and Palm Beach brands. The Group will build upon these efforts and is also increasing its presence in digital and social communication channels; and
 - ii) Refining Group-wide operational processes and systems to improve internal communication, responses to customers' demands and production cycle times across multiple locations.

- Strategy #3

The Group recognises that lifestyle trends of existing customers have evolved while a newer set of customers who are generally younger has emerged. Beyond above marketing strategies, the Group is also curating and strengthening brand loyalty by focusing on deepening the 'client experience' even as it introduces new designs and concepts.

2. What are the factors that are critical to GBY's success against the competition? What differentiates GBY from the competition?

We believe that our product differentiates us from the competition in that our product design, performance, efficiency and quality positions us ahead of the competition. Our products are constantly evolving based on customer feedback.

Responding to market trends, the Group has positioned itself strongly in the 50-85 feet segment whilst strictly maintaining the unique heritage of our designs. By way of contrast, our competition is migrating towards either larger or smaller vessels with more polarising design trends, which has provided us with an opportunity to capture greater market share. We are confident that our range of products, global opportunities and market dynamics position us strongly for the foreseeable future.

Our production facility in Malaysia offers a long-term scale and cost advantage compared to many of our competitors. Increased efficiencies across multiple locations will allow the Group to increase its competitive edge.

3. What notable developments can shareholders expect from GBY in the coming year(s)?

In line with our shift towards larger, superior performing and more energy-efficient motor yachts, a range of new models are currently underway for each of the Grand Banks, Palm Beach and Eastbay brands. The flagship GB85 is scheduled to be launched at the Palm Beach Boat Show in March 2022, whilst the Eastbay 60 will debut later in the same year.

4. What are some of the key Environmental, Social and Governance factors that are material to GBY?

Grand Banks understands the importance of a strong sustainability focus, and we have strived to integrate it into our day-to-day operations. The Group has worked to reduce our energy intensity and to innovate more energy-efficient product designs. At our manufacturing facility, we are constantly looking for ways to reduce our carbon emissions intensity and to innovate products that emit fewer greenhouse gas emissions. For details, please refer to our Sustainability Report in our latest Annual Report 2021.

5. What is GBY's value proposition to its shareholders and potential investors? What do you think investors may have overlooked about GBY's business?

Grand Banks has been building luxury recreational motor yachts for over 60 years and during this time have developed a global reputation. The Grand Banks, Palm Beach and Eastbay brands are recognised for their timeless designs, superior build quality, exceptional performance and loyal customer base.

We have a strong and passionate management team that has delivered a healthy set of results over the past few years, in spite of challenges such as the COVID-19 pandemic.

Grand Banks has recorded six consecutive years of profitability. For FY2021 it has proposed a dividend. This underscores the strength of the management team, the success of its business strategies and its commitment towards shareholder value.

6. What is the current and foreseeable state of the yachts industry, in particular, those where the company derived the greater part of its revenue?

Demand for yachts is at an all-time high with strong demand for our products. We believe this will continue in the coming months in our major markets of the USA and Australia, especially in the midst of the pandemic.

The Group will continue to focus on building and delivering world-class products that meet the exacting standards and expectations of our discerning customers.

We also see continued emphasis on (i) new designs which are sleeker, bigger and yet more energy efficient; (ii) total customer experience online and offline in the buying and after-sales periods; and (iii) branding.

7. Have the recent rise in material costs and oil prices impacted the company order books and its profit margin? If so, what mitigating factors have been taken?

Shipping costs have been growing steadily since late 2020 as a result of increased global demand with limited increases in shipping capacity. This supply chain disruption will increase costs for the final shipping of yachts to our customers. The Group is exploring different avenues of mitigating shipping costs e.g. adjusting prices, re-negotiating contracts and bulk rates.

For other materials costs, there were more muted increases. It remains to be seen whether global inflationary pressures are transitory or more permanent and subsequently their flow and impact to the Group. We will closely monitor all business inputs, expected margins, and take steps wherever possible to manage potential exposures.

8. Would the company be able to fulfil its orders in a timely manner given the recent MCO that it had faced? If not, would the company be penalised?

Given the disruptive shutdown of the factory in Malaysia, contract delivery dates have seen a delay. Sales contracts do not commit the Company to a fixed delivery date, penalties and/or consequent losses for delayed delivery. The Company works with customers individually to ensure that the sales, construction, delivery and handover process is efficient and meets their exacting standards.

9. With a net order book of S\$116.9m as of end June 2021, what is the ballpark figure of how much of it could be recognized as revenue for FY2022?

The Group is unable to quantify with any reliability at this point in time as there are still many unknowns related to the pandemic including potential movement restrictions, infections or supply chain disruptions. However, we have progressively resumed full production since mid-September 2021 and hope to ramp up construction momentum in the coming months to clear the backlog due to the prolonged shutdown.

10. With a net order book of S\$116.9m as of end June 2021, what is the estimated factory utilization in FY2022?

With the pandemic still impacting the region, the Group is unable to quantify this for FY2022 with any certainty as there are many unpredictable factors as outlined above. We hope to clear the backlog of orders in FY2022 and expect utilisation levels to be satisfactory.

11. Mr. Roy Ditmarsch has been appointed as Chief Business Officer since 1 January 2021. What major changes has he brought to the company so far?

Mr. Roy Peter Ditmarsch has extensive experience in a broad range of businesses. Since joining, he has focused on reviewing the Group's operations and putting in place new systems and processes to deliver more efficient and effective outcomes. These areas include financial forecasting and reporting; human resources and staffing structures; factory operations and production scheduling, sales and marketing processes. He has been instrumental in improving the operational processes.

12. Would the company consider share buyback since its share price has underperformed in the market in general and underperformed its good business result and prospect?

With the pandemic still impacting global economies and international businesses, the Group will continue to adopt a prudent and conservative position by preserving cash at this time. The Group has no plans for any share buybacks in the near term. The Group has declared a dividend for FY2021 to reward shareholders.