



GRAND BANKS YACHTS LIMITED

(Company Registration No.: 197601189E)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR
THE FIRST HALF PERIOD ENDED 31 DECEMBER 2021**

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1 (a) Consolidated income statement (Unaudited)
For the first half year ended 31 December 2021

	Note	Group		Change %
		6-Month period ended 31 December		
		2021 \$'000	2020 \$'000	
Revenue	4	33,768	53,445	(36.8)
Cost of sales		<u>(26,263)</u>	<u>(40,493)</u>	(35.1)
Gross profit		7,505	12,952	(42.1)
Selling and marketing expenses		(5,288)	(4,433)	19.3
Administrative expenses		(2,949)	(2,852)	3.4
Other operating expenses, net		(263)	(324)	(18.8)
Total operating expenses		<u>(8,500)</u>	<u>(7,609)</u>	11.7
(Loss)/Profit from operations		(995)	5,343	N.m
Other non-operating income, net	2(a)	428	6	>100
Finance cost		(115)	(107)	7.5
(Loss)/Profit before tax	2(a)	<u>(682)</u>	5,242	N.m
Tax expense	2(b)	<u>(12)</u>	<u>(1,260)</u>	(99.0)
(Loss)/Profit for the period attributable to owners of the Company		<u>(694)</u>	<u>3,982</u>	N.m

N.m – Percentage / Computation not meaningful

1 (a) Consolidated Statement of Comprehensive Income statement (Unaudited)
For the first half year ended 31 December 2021

	<u>Group</u>		
	6-Month period ended 31 December		
	2021	2020	Change
	\$'000	\$'000	%
(Loss)/Profit for the period	(694)	3,982	N.m
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net currency translation differences of financial statements of foreign subsidiaries	<u>(57)</u>	<u>(99)</u>	(42.4)
	<u>(751)</u>	<u>(3,883)</u>	>100

N.m – Percentage / Computation not meaningful

1 (b) Consolidated statements of financial position (Unaudited)
As at first half year ended 31 December 2021

	Note	Group		Company	
		31-Dec-21 \$'000	30-Jun-21 \$'000	31-Dec-21 \$'000	30-Jun-21 \$'000
Non-current assets					
Property, plant and equipment	2(c)	25,891	25,269	–	–
Right-of-use assets	2(d)	6,422	6,630	–	–
Subsidiaries	2(e)	–	–	38,016	38,016
Intangible assets		7,701	8,014	–	–
Deferred tax assets		2,945	2,858	–	–
		<u>42,959</u>	<u>42,771</u>	<u>38,016</u>	<u>38,016</u>
Current assets					
Inventories	2(f)	11,328	14,840	–	–
Contract assets		4,680	2,764	–	–
Trade and other receivables	2(g)	3,412	586	3,457	7,417
Prepayments		1,528	1,250	43	17
Current tax recoverable		7	4	–	–
Cash and cash equivalents	2(h)	45,418	45,213	3,983	780
		<u>66,373</u>	<u>64,657</u>	<u>7,483</u>	<u>8,214</u>
Total assets		<u>109,332</u>	<u>107,428</u>	<u>45,499</u>	<u>46,230</u>
Current liabilities					
Trade and other payables	2(i)	15,045	13,612	910	367
Contract liabilities		25,504	23,315	–	–
Provisions		3,957	4,235	–	–
Interest bearing loans and borrowings	2(j)	1,062	1,060	–	–
Deferred consideration	2(k)	530	517	–	–
Current tax payables		75	–	–	–
Lease liabilities		142	164	–	–
		<u>46,315</u>	<u>42,903</u>	<u>910</u>	<u>367</u>
Non-current liabilities					
Deferred tax liabilities		327	358	–	–
Interest bearing loans and borrowings	2(j)	2,496	1,957	–	–
Deferred consideration	2(k)	837	1,099	–	–
Lease liabilities		159	239	–	–
		<u>3,819</u>	<u>3,653</u>	<u>–</u>	<u>–</u>
Total liabilities		<u>50,134</u>	<u>46,556</u>	<u>910</u>	<u>367</u>
Capital and reserves					
Share capital	2(l)	43,136	43,136	43,136	43,136
Share-based compensation reserve		381	381	381	381
Foreign currency translation reserve		(133)	(76)	–	–
Accumulated profits		15,814	17,431	1,072	2,346
Total equity		<u>59,198</u>	<u>60,872</u>	<u>44,589</u>	<u>45,863</u>
Total equity and liabilities		<u>109,332</u>	<u>107,428</u>	<u>45,499</u>	<u>46,230</u>

1 (c) Consolidated statement of cash flows (Unaudited)
For the first half year ended 31 December 2021

	Note	Group	
		6-Month period ended 31 December	
		2021 \$'000	2020 \$'000
Cash flows from operating activities			
(Loss)/Profit after tax		(694)	3,982
Adjustments for:			
Depreciation of property, plant and equipment	2(c)	2,379	2,343
Depreciation of right-of-use assets	2(d)	197	151
Amortisation of intangible assets		64	64
Property, plant and equipment written off		31	120
Gain on disposal of property, plant and equipment		–	(9)
(Write-back)/allowance made for inventories obsolescence, net		(11)	1,108
Interest income		(5)	(21)
Interest expense		115	107
Tax expense	2(b)	12	1,260
Unrealised foreign exchange loss/(gain)		46	(554)
		2,134	8,551
Changes in working capital:			
– Inventories		3,529	2,182
– Trade and other receivables		(2,656)	209
– Prepayments		(279)	(785)
– Contract assets		(1,918)	98
– Contract liabilities		2,374	(1,090)
– Trade and other payables		1,245	5,022
– Provisions		(270)	789
Cash generated from operations		4,159	14,976
Net tax paid		(46)	(1)
Net cash generated from operating activities		4,113	14,975
Cash flows from investing activities			
Interest received		5	21
Proceeds from disposal of property, plant and equipment		–	9
Purchase of property, plant and equipment		(2,994)	(2,174)
Net cash used in investing activities		(2,989)	(2,144)

1 (c) Consolidated statement of cash flows (Unaudited)
For the first half year ended 31 December 2021

	Note	Group	
		6-Month period	
		ended 31 December	ended 31 December
		2021	2020
		\$'000	\$'000
Cash flows from financing activities			
Interest paid on loans and borrowings		(105)	(94)
Interest paid on right-of-use assets		(10)	(13)
Dividend paid		(923)	–
Repayment of lease liabilities		(87)	(312)
Repayment of bank borrowings		(3,731)	(476)
Repayment of deferred consideration		(257)	(241)
Proceeds from bank borrowings		4,292	–
Net cash used in financing activities		(821)	(1,136)
Net increase in cash and cash equivalents		303	11,695
Cash and cash equivalents at beginning of year		45,213	10,717
Effect of exchange rate changes on balances held in foreign currency		(98)	(217)
Cash and cash equivalents at end of period		45,418	22,195

1 (d) Consolidated statement of changes in equity (Unaudited)
For first half year ended 31 December 2021

Group	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1-Jul-2020	43,136	381	308	13,205	57,030
Total comprehensive income for the year					
Profit for the period	–	–	–	3,982	3,982
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	(99)	–	(99)
Total other comprehensive income	–	–	(99)	–	(99)
Total comprehensive income for the period	–	–	(99)	3,982	3,883
At 31-Dec-2020	43,136	381	209	17,187	60,913
At 1-Jul-2021	43,136	381	(76)	17,431	60,872
Total comprehensive income for the period					
Loss for the period	–	–	–	(694)	(694)
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	(57)	–	(57)
Total other comprehensive income	–	–	(57)	–	(57)
Total comprehensive income for the period	–	–	(57)	(694)	(751)
Transactions with owners, recorded directly in equity					
Dividend payments	–	–	–	(923)	(923)
At 31-Dec-2021	43,136	381	(133)	15,814	59,198

1 (d) Company statement of changes in equity (Unaudited)
For first half ended 31 December 2021

Company	Share capital \$'000	Share-based compensation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1-Jul-2020	43,136	381	1,081	44,598
Total comprehensive income for the period				
Profit for the period	–	–	(413)	(413)
<i>Other comprehensive income</i>				
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–
Total other comprehensive income	–	–	(413)	(413)
Total comprehensive income for the period	–	–	(413)	(413)
At 31-Dec-2020	43,136	381	668	44,185
At 1 July 2021	43,136	381	2,346	45,863
Total comprehensive income for the period				
Loss for the period	–	–	(351)	(351)
<i>Other comprehensive income</i>				
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–
Total other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	(351)	(351)
Transactions with owners, recorded directly in equity				
Dividend payments	–	–	(923)	(923)
At 31-Dec-2021	43,136	381	1,072	44,589

2 (a) Profit before tax

The following items have been included in arriving at profit before tax:

	Note	Group	
		6-Month period ended 31 December	
		2021	2020
		\$'000	\$'000
Wages, salaries and other employee benefits		12,041	14,522
Contributions to defined contribution plans, included in wages and salaries related costs		825	839
(Write-back)/allowance made for inventories obsolescence, net		(11)	1,108
Property, plant and equipment written off		31	120
Depreciation of property, plant and equipment		2,379	2,343
Depreciation of right-of-use assets		197	151
Amortisation of intangible assets		64	64
Gain on disposal of property, plant and equipment		–	(9)
Provision for warranty claims		778	1,299
Auditors' remuneration:			
- auditors of the Company		160	149
Non-audit fees paid to:			
- auditors of the Company		9	13
Short-term lease expenses		69	72
		<hr/>	<hr/>
<i>Other non-operating income, net</i>			
Foreign exchange gain/(loss), net		27	(205)
Interest income from bank		5	21
Sundry income		9	8
Government grants		296	143
Others		91	39
		<hr/>	<hr/>
		428	6
		<hr/>	<hr/>

2 (b) Tax expense

	Group	
	6-Month period ended 31 December	
	2021	2020
	\$'000	\$'000
Current and deferred tax		
Current year	12	1,260
Tax expense	<hr/>	<hr/>
	12	1,260
	<hr/>	<hr/>

2 (c) Property, plant and equipment

During the financial year, additions in property, plant and equipment were mainly due to capital expenditure incurred in relation to the purchase of equipment coupled with on-going enhancements to overseas facilities as well as development of new products.

2 (d) Right-of-use assets

The ROU assets as at 31 December 2021 were mainly related to leases of the offices occupied by the Group in the various locations.

Group	Office and factory lease \$'000	Buildings on leasehold land \$'000	Leasehold land* \$'000	Total \$'000
Cost				
At 1 July 2021	555	494	6,103	7,152
Translation adjustment	(12)	–	2	(10)
At 31 December 2021	<u>543</u>	<u>494</u>	<u>6,105</u>	<u>7,142</u>
Accumulated depreciation				
At 1 July 2021	132	34	356	522
Depreciation charge for the year	99	8	90	197
Translation adjustment	1	–	–	1
At 31 December 2021	<u>232</u>	<u>42</u>	<u>446</u>	<u>720</u>
Carrying amounts				
At 1 July 2021	<u>423</u>	<u>460</u>	<u>5,747</u>	<u>6,630</u>
At 31 December 2021	<u>311</u>	<u>452</u>	<u>5,659</u>	<u>6,422</u>

* Charged against bank borrowings, see Note 2(j)

2 (e) Subsidiaries

	Company	
	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000
Unquoted ordinary shares, at cost	21,726	21,726
Unquoted preference shares, at cost	<u>15,222</u>	<u>15,222</u>
Equity investments at cost	36,948	36,948
Amounts due from a subsidiary (non-current)	<u>1,068</u>	<u>1,068</u>
Total	<u>38,016</u>	<u>38,016</u>

The non-current amounts due from a subsidiary of \$ 1,068,000 (30 June 2021: \$1,068,000) are unsecured and the settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, part of the Company's net investment in the subsidiary, they are stated at cost.

2 (f) Inventories

	Group	
	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000
Raw materials and components	12,136	16,138
Allowance for inventory obsolescence	(2,908)	(2,816)
	<u>9,228</u>	<u>13,322</u>
Stock boats at net realisable value	1,452	1,441
Work-in-progress stock boats	648	77
Total	<u><u>11,328</u></u>	<u><u>14,840</u></u>

In FY2022, changes in raw materials and components, stock boats and work-in-progress included in cost of sales amounted to \$22,532,827 (2021: \$38,222,322).

Usage of raw materials, changes in work-in-progress and changes in finished goods are main components of the cost of sales shown in profit or loss. Cost of sales also includes an allowance for inventory obsolescence which is provided to be consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Stock boats are carried at lower of cost and net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the reporting date. These estimates take into consideration market demand, competition, and selling price and cost directly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year.

2 (g) Trade and other receivables

	Group		Company	
	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000
Trade receivables	3,305	471	–	–
Refundable deposits	107	115	–	–
Amounts due from subsidiaries (non-trade)	–	–	3,457	7,417
	<u>3,412</u>	<u>586</u>	<u>3,457</u>	<u>7,417</u>

The current outstanding balances with subsidiaries are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances with subsidiaries.

2 (h) Cash and cash equivalents

	Group		Company	
	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000
Cash and bank balances	38,205	8,470	2,983	80
Short-term deposits	7,213	36,743	1,000	700
Cash and cash equivalents in the statement of cash flows	45,418	45,213	3,983	780

Cash at banks earns interest at floating rates based on the daily bank deposits rates. Short-term deposits are placed for varying periods of between 5 to 183 days (2021: 5 to 183 days) and earn interest at rates generally higher than those earned by cash and bank balances.

2 (i) Trade and other payables

	Group		Company	
	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000
Trade payables	1,995	2,048	–	–
Advance from customers	978	1,613	–	–
Accrued operating expenses	12,072	9,951	910	367
	15,045	13,612	910	367

2 (j) Interest bearing loans and borrowings

	Group	
	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000
Secured bank loan	3,558	3,017
Represented by:		
- Current	1,062	1,060
- Non-current	2,496	1,957
Total	3,558	3,017

As at 31 December 2021, the Group's subsidiaries have secured bank loan of \$3,558,000 (30 June 2021: \$3,017,000):

The outstanding bank loan denominated in Malaysian Ringgit amounting to \$2,045,000 (30 June 2021: \$2,308,000) is secured over the leasehold land of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia, which has a carrying amount of \$5,659,000 (30 June 2021: \$5,747,000) (see Note 2(d)), while the outstanding bank loan denominated in United States dollars amounting to \$1,029,000 (30 June 2021: \$192,000) is secured over leasehold submerged land of the Group's service yard in Florida, USA which has a carrying amount of \$85,000 (30 June 2021: \$84,000).

Both loans have corporate guarantees provided by the Company to the respective banks. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee provided.

The outstanding bank loan denominated in United States dollars amounting to \$484,000 (30 June 2021: \$517,000) is secured over a travel lift included within the Group's plant and machinery, which has a carrying amount of \$612,000 (30 June 2021: \$684,000).

The secured bank loans bear an interest rate ranging from 3.95% to 5.25% (30 June 2021: 3.95% to 5.2%) per annum and are repayable between year 2021 to 2026 (30 June 2021: 2020 to 2026). Interest rates are repriced within the year.

2 (k) Deferred consideration

	Group	
	As at 31 Dec-21 \$'000	As at 30 Jun-21 \$'000
Secured promissory note		
-Current	530	517
-Non-current	837	1,099
	1,367	1,616

On 9 May 2018, one of the subsidiaries issued a promissory note to the seller for the acquisition of assets of Stuart Yacht Corporation ("SYC"). The promissory note is denominated in United States dollars and is secured over the shares of SYC. The secured promissory note bears a fixed interest rate of 4% and is repayable between year 2018 to 2024.

2 (l) Share capital

	As at 31 Dec-2021		As at 30 Jun-21	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Fully paid:				
Beginning of the year	184,635	43,136	184,635	43,136
Issue of shares pursuant to share plans	–	–	–	–
End of the period/year	184,635	43,136	184,635	43,136

A holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Group considers capital to be its share capital. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group. The Group is in a net cash position. Net cash is calculated as cash and cash equivalents less external borrowings, if any.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

2 (m) Fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

Group	Note	Amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
31 Dec 2021					
Trade and other receivables	2(g)	3,412	–	3,412	3,412
Cash and cash equivalents	2(h)	45,418	–	45,418	45,418
		<u>48,830</u>	<u>–</u>	<u>48,830</u>	<u>48,830</u>
Trade and other payables*	2(i)	–	14,067	14,067	14,067
Interest bearing loans and borrowings	2(j)	–	3,558	3,558	3,558
Deferred consideration	2(k)	–	1,367	1,367	1,367
		<u>–</u>	<u>18,992</u>	<u>18,992</u>	<u>18,992</u>
30 June 2021					
Trade and other receivables	2(g)	586	–	586	586
Cash and cash equivalents	2(h)	45,213	–	45,213	45,213
		<u>45,799</u>	<u>–</u>	<u>45,799</u>	<u>45,799</u>
Trade and other payables*	2(i)	–	11,999	11,999	11,999
Interest bearing loans and borrowings	2(j)	–	3,017	3,017	3,017
Deferred consideration	2(k)	–	1,616	1,616	1,616
		<u>–</u>	<u>16,632</u>	<u>16,632</u>	<u>16,632</u>

* Excluding advance payments received from customers before the related construction work is performed

Interest-bearing loans and borrowings

No fair value is calculated for the floating rate loans as the Group believes that the carrying amounts, which are repriced within the year, reflect their corresponding fair values.

Deferred consideration

The carrying value based on the 4% interest rate from the secured promissory note represents the market rate.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity and where the effect of discounting is immaterial.

Accordingly, no fair value hierarchy information is disclosed for such financial assets and liabilities.

3. Segment information

The Group engages predominantly in the manufacturing and sale of luxury yachts. The Group assessed its operating segment and determined that it has two operating and reporting segments (2021: two operating and reporting segments) which is the manufacturing and trading segment – comprising manufacturing and sale of yachts to end customers (2021: manufacturing and sales of yachts to end customers) and others (being brokerage income, trade-in sales and service income).

The operating segments contains various functions that are inter-dependent to support the Group's operating activities and performance. Based on the combined activities of these key functions, the Group's CEO, who is the chief operating decision maker (CODM), assesses performance against an approved Group's budget and makes resource allocation decisions that will maximise the utilisation of production capacity and operating efficiency of the operating segments, to achieve the Group's budget.

Reconciliation includes unallocated head office revenue, expenses, assets, liabilities and consolidation adjustments which are not directly attributable to a particular segment.

3. Segment reporting for first half ended 31 December

	← Reconciliation →									
	Manufacturing and trading segment		Others#		Corporate		Adjustments		Consolidated	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20
Revenue and expenses										
External revenue	29,012	49,060	4,756	4,385	–	–	–	–	33,768	53,445
Inter-segment revenue	125	1,526	–	654	–	–	(125)	(2,180)	–	–
Total revenue	29,137	50,586	4,756	5,039	–	–	(125)	(2,180)	33,768	53,445
Segment results*	934	10,825	1,610	(346)	(351)	(413)	(125)	(2,180)	2,068	7,886
Depreciation and amortisation	(2,640)	(2,558)	–	–	–	–	–	–	(2,640)	(2,558)
Interest income	5	21	–	–	–	–	–	–	5	21
Interest expense	(115)	(107)	–	–	–	–	–	–	(115)	(107)
Operating profit before tax	(1,816)	8,181	1,610	(346)	(351)	(413)	(125)	(2,180)	(682)	5,242
Income tax	(12)	(1,363)	–	103	–	–	–	–	(12)	(1,260)
Segment (loss)/profit	(1,828)	6,818	1,610	(243)	(351)	(413)	(125)	(2,180)	(694)	3,982

* Segment results: Earnings before Interest, Taxation, Depreciation and Amortisation

Others relate to ancillary sales such as brokerage income, service income and trade-in boats

3. Segment reporting for first half ended 31 December (cont'd)

	← Reconciliation →									
	Manufacturing and trading segment		Others#		Corporate		Adjustments		Consolidated	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20
<i>Other material non-cash items:</i>										
Write-back/(allowance) made for inventories obsolescence, net	11	(1,108)	–	–	–	–	–	–	11	(1,108)
Property, plant and equipment written off	(31)	(120)	–	–	–	–	–	–	(31)	(120)
Provisions for warranty claims	(778)	(1,299)	–	–	–	–	–	–	(778)	(1,299)
Assets and liabilities										
Segment assets	102,354	93,041	–	–	45,499	44,485	(41,473)	(44,487)	106,380	93,039
Tax assets	2,952	3,053	–	–	–	–	–	–	2,952	3,053
Segment liabilities	48,822	34,463	–	–	910	300	–	–	49,732	34,763
Tax liabilities	402	416	–	–	–	–	–	–	402	416
Capital expenditures	2,994	2,174	–	–	–	–	–	–	2,994	2,174

* Segment results: Earnings before Interest, Taxation, Depreciation and Amortisation

Others relate to ancillary sales such as brokerage income, service income and trade-in boats

4. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customer is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition.

	Group	
	6-month period ended 31 Dec	
	2021	2020
	\$'000	\$'000
Revenue from construction contracts	28,168	43,790
Revenue from brokerage boats	3,313	2,218
Rendering of services	2,184	979
Sales of stock boats	–	4,919
Sales trade-in boats	–	1,185
Sales of parts	103	354
	<u>33,768</u>	<u>53,445</u>

Timing of revenue recognition

	Group	
	6-month period ended 31 Dec	
	2021	2020
	\$'000	\$'000
Transferred at a point in time	5,600	9,655
Transferred over time	28,168	43,790
	<u>33,768</u>	<u>53,445</u>

In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments.

Revenue contributed by sales region is shown below:

	Group	
	6-month period ended 31 Dec	
	2021	2020
	\$'000	\$'000
USA	21,131	42,220
Europe (including United Kingdom)	1	5,970
Australia	12,595	5,255
Asia	41	–
	<u>33,768</u>	<u>53,445</u>

5. Corporate information

Grand Banks Yachts Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 21 Bukit Batok Crescent, #06-74, Wcega Tower, Singapore 658065.

The principal activities of the Company are those of an investment holding company with significant subsidiaries in the business of manufacturing and selling luxury yachts worldwide.

The financial statements of the Group as at and for six months ended 31 December 2021 comprise the Company and its subsidiaries.

6. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last financial statements for the 6 months period ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 10.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

7. Audit

The figures have not been audited or reviewed by auditors.

8. Auditors' report

Not applicable.

9. Accounting policies

Other than the adoption of the amendments to SFRS(I)s as mentioned in Note 10 below, there are no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 30 June 2021.

10. Changes in accounting policies

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I) are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- SFRS(I) 17 *Insurance Contracts* and amendments to SFRS(I) 17 *Insurance Contracts*;
- *COVID-19-Related Rent Concessions* beyond 30 June 2021 (Amendment to SFRS(I) 16);
- Reference to the *Conceptual Framework* (Amendments to SFRS(I) 3);
- *Property, plant and equipment – Proceeds before Intended Use* (Amendments to SFRS(I) 1-16);
- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to SFRS(I) 37);
- *Classification of Liabilities as Current or Non-current* (Amendments to SFRS(I) 1-1);
- *Annual Improvements* to SFRS(I)s 2018-2020;
- *Disclosure of Accounting Policies* (Amendments to SFRS(I) 1-1) and SFRS(I) *Practice Statement 2*);
- *Definition of Accounting Estimates* (Amendments to SFRS(I) 1-8); and
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to SFRS(I) 1-12).

The adoption of the above amendments to SFRS(I)s is assessed to have no material financial effect on the results and financial position of the Group and of the Company for the period ended 31 December 2021. Accordingly, it has no material impact on the earnings per share of the Group and of the Company.

11. (Loss)/Earnings per ordinary share

	Group	
	As at 31 Dec-21	As at 31 Dec-20
(Loss)/Earnings per ordinary share for the financial period based on net profit attributable to shareholders:		
- On weighted average number of ordinary shares in issue (cents)	<u>(0.38)</u>	<u>2.16</u>
- On a fully diluted basis (cents)	<u>(0.38)</u>	<u>2.16</u>

12. Net value assets per share

	Group		Company	
	As at 31 Dec-21	As at 30 Jun-21	As at 31 Dec-21	As at 30 Jun-21
Net asset value (for the issuer and group) per ordinary share based on issued share capital of the insurer at the end of the:				
(a) Current period reported on; and				
(b) Immediately preceding financial year				
- Net value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	32.06	32.97	24.15	24.84

13. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:

- a) **Any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors.**

Revenue

Revenue for the six-month period ended 31 December 2021 (“1H FY2022”) decreased 36.8% to S\$33.8 million from S\$53.4 million for the same period ended 31 December 2020 (“1H FY2021”) primarily due to suspension of activities at the Group’s manufacturing facility in Pasir Gudang, Johor, in compliance with the Malaysian Government’s Movement Control Order (“MCO”) to curb the spread of the COVID-19 pandemic. Operations were halted since 1 June 2021 with a total of almost two and half months in 1H FY2022.

Gross profit

Due to the lower revenue, gross profit for 1H FY2022 declined to S\$7.5 million, from S\$13.0 million for 1H FY2021. Similarly, gross profit margin decreased to 22.2% from 24.2% over the comparative period. The unabsorbed manufacturing costs incurred during the shut-down in 1H FY2022 were approximately S\$2.6 million.

Operating expenses

Total operating expenses – including costs relating to boat shows, sales and marketing, as well as salaries and commission expenses – increased to S\$8.5 million for 1H FY2022 from S\$7.6 million for 1H FY2021, primarily due to participation in boat shows in the USA (which were cancelled in 1H FY2021 due to the pandemic) as well as higher payroll and insurance costs.

Other non-operating income in 1H FY2022 arose from recognition of pandemic-related Government grants of S\$0.3 million (1H FY2021: S\$0.1 million).

Taxation

Tax expenses in 1H FY2022 and 1H FY2021 arose from profitable subsidiaries.

Profit

As a result of the above, the Group recorded a net loss of S\$0.7 million in 1H FY2022 (1H FY2021: S\$4.0 million net profit).

- b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Cash Flows

Cash flows generated from operations were S\$4.1 million for 1H FY2022 compared to S\$15.0 million for 1H FY2021. This was mainly due to decrease in inventories and increases in contract liabilities and payables, partially offset by higher receivables and contract assets. The decrease in inventories was due to the lower raw materials. The increase in contract liabilities was due to down payments received from customers ahead of production schedule for the construction of boats, which were delayed due to the temporary shut-down of the Malaysian factory. The increase in payables was due to accrual of sales commissions and operating expenses. The increase in receivables and contract assets was due to timing of final payments for a few boats that would be due upon delivery to the buyers at their destinations.

Cash flows used in investing activities amounted to S\$3.0 million in 1H FY2022 mainly due to the development of new products and improvement of properties in the USA. The Group has undertaken a project at its Stuart facility to replace the existing roof with a bigger one to increase the covered space for operational use. This was largely completed in December 2021. In comparison, cash flows used in investing activities totalled S\$2.1 million in 1H FY2021 principally due to the development of new products.

Repayments of borrowings and payment of dividend were partially offset by new borrowings resulted in negative cash flows used for financing activities of S\$0.8 million in 1H FY2022. Repayments of borrowings amounted to S\$1.1 million in 1H FY2021. The Group's borrowings were used to finance part of lease renewal consideration for the Malaysian yard in FY2016, partial financing of its acquisition of the U.S. yard in FY2018 and for the improvement of properties and purchases of machineries in FY2021 and FY2022.

As a result of the above, cash and cash equivalents increased marginally to S\$45.4 million as at 31 December 2021 from S\$45.2 million as at 30 June 2021. Borrowings increased marginally to S\$4.9 million as at 31 December 2021 from S\$4.6 million as at 30 June 2021.

Review of Financial Position

Non-current assets remained relatively constant at S\$43.0 million as at 31 December 2021, compared to S\$42.8 million as at 30 June 2021. Current assets increased to S\$66.4 million as at 31 December 2021 from S\$64.7 million as at 30 June 2021, mainly due to higher contract assets and receivables, partially offset by lower inventories.

Total liabilities increased to S\$50.1 million as at 31 December 2021 from S\$46.6 million as at 30 June 2021, mainly due to higher payables and contract liabilities.

Contract liabilities of S\$25.5 million contributed to the cash and cash equivalent of S\$45.4 million as at 31 December 2021.

14. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In line with the profit guidance issued by the Company on 21 January 2022, the Group incurred a net loss after tax of S\$0.7 million for 1H FY2022.

15. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group recorded 17 new boat orders in 1H FY2022, lifting the net order book to S\$154.2 million as at 31 December 2021. This compares with S\$116.9 million as at 30 June 2021, and highlights the robust demand for luxury yachts, as well as strong reception for the Group's boat models.

The operating environment remains uncertain, with the spread of the Omicron variant extending the pandemic. Rising freight costs amid continued disruptions of the marine supply chain, as well as increasing material costs are also expected to impact the Group.

In response, the Group commenced a vaccination programme in August 2021 of its entire Malaysian workforce, and progressively returned to full capacity in Pasir Gudang mid-September 2021. Having strengthened its workforce against the COVID-19, the Group expects business recovery to accelerate in the coming months.

Barring unforeseen circumstances, and the absence of movement restrictions and further halting of operations, the Group expects financial performance for the six months ending 30 June 2022 ("2H FY2022") to improve compared to 1H FY2022.

16. Dividend

a) Current Financial Period Reported on

Any distribution declared for the current period? No

b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period? No

17. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

Dividend declared for year ending/ended:	30 Jun-2022 \$'000	30 Jun-2021 \$'000
Ordinary	–	923
Preference	–	–
Total	–	923

- 19. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No IPT mandate has been obtained from shareholders for IPT.

- 20. Negative confirmation by the Board pursuant to Rule 705(5).**

The Board of Directors of the Company hereby confirms to the best of its knowledge that nothing has come to its attention which may render the financial statements for the first half year ended 31 December 2021 to be false or misleading in any material respect.

- 21. Report of person occupying managerial positions who are related to a director, chief executive officer or substantial shareholder.**

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company wishes to confirm that, to the best of its knowledge, belief and information, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a director or the chief executive officer or substantial shareholders of the Company.

- 22. The status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use.**

Not applicable.

- 23. Confirmation that the issuer has procured undertakings from all directors and executive officers pursuant to Rule 720(1).**

The Company has procured undertakings from all its directors and executive officers as required by Rule 720(1).

By Order of the Board
GRAND BANKS YACHTS LIMITED

Chiam Heng Huat
Chief Financial Officer

11 February 2022