

GRAND BANKS YACHTS LIMITED

(Registration No.: 197601189E)



GRAND BANKS.

Second Quarter Unaudited Financial Statements for the Year Ended 31 December 2017

I(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT (UNAUDITED) - in SGD

	Group			Group		
	3-Month Period Ended 31-Dec-17 \$'000	3-Month Period Ended 31-Dec-16 \$'000	Inc / (Dec) %	6-Month Period Ended 31-Dec-17 \$'000	6-Month Period Ended 31-Dec-16 \$'000	Inc/(Dec) %
Revenue	20,347	12,576	61.8	41,665	25,608	62.7
Cost of sales	(16,475)	(9,947)	65.6	(34,127)	(20,721)	64.7
Gross Profit	3,872	2,629	47.3	7,538	4,887	54.2
Selling and marketing expenses	(2,015)	(1,249)	61.3	(3,859)	(2,582)	49.5
Administrative expenses	(1,144)	(1,076)	6.3	(2,199)	(2,021)	8.8
Other operating expenses	(143)	(110)	30.0	(279)	(237)	17.7
Total operating expenses	(3,302)	(2,435)	35.6	(6,337)	(4,840)	30.9
Profit from operations	570	194	193.8	1,201	47	2,455.3
Other non-operating income/(expense), net	141	(72)	(295.8)	131	143	(8.4)
Finance costs	(35)	(40)	(12.5)	(83)	(70)	18.6
Profit before tax	676	82	724.4	1,249	120	940.8
Tax credit	1	335	(99.7)	47	498	(90.6)
Net profit for the period	677	417	62.4	1,296	618	109.7

Additional information to the income statement:

	Group		Group		
	3-Month Period Ended 31-Dec-17 \$'000	3-Month Period Ended 31-Dec-16 \$'000	6-Month Period Ended 31-Dec-17 \$'000	6-Month Period Ended 31-Dec-16 \$'000	Inc/(Dec) %
Allowance of inventory obsolescence	(68)	(20)	(97)	(42)	131.0
Depreciation of property, plant and equipment	(843)	(517)	(1,653)	(1,257)	31.5
Amortisation of intangible assets	(33)	(34)	(68)	(67)	1.5
Foreign exchange gain/(loss), net	92	(160)	52	10	420.0
Gain on disposal of property, plant and equipment	-	1	-	1	(100.0)
Fair valuation loss on quoted debt securities held-for-trading	-	-	-	(2)	(100.0)
Interest income included in other non-operating income, net	12	10	17	32	(46.9)
Property, plant and equipment written off	(54)	-	(54)	(1)	N.m
Tax:					
- current tax expense	(56)	7	(69)	(69)	(0.7)
- deferred tax credit	57	328	116	567	(79.5)

N.m - Percentage / Computation not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		Group		Inc/(Dec) %
	3-Month Period Ended 31-Dec-17 \$'000	3-Month Period Ended 31-Dec-16 \$'000	6-Month Period Ended 31-Dec-17 \$'000	6-Month Period Ended 31-Dec-16 \$'000	
Net profit for the period	677	417	1,296	618	109.7
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net currency translation differences of financial statements of foreign subsidiaries	386	(87)	503	(191)	(363.4)
Total Comprehensive Income for the period	<u>1,063</u>	<u>330</u>	<u>1,799</u>	<u>427</u>	<u>321.3</u>

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION (UNAUDITED) - in SGD

	Group		Company	
	31-Dec-17	30-Jun-17	31-Dec-17	30-Jun-17
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	23,145	21,073	–	–
Subsidiaries	–	–	40,101	40,101
Goodwill	6,983	7,109	–	–
Intangible assets	1,740	1,840	–	–
Deferred tax assets	1,215	1,203	–	–
	<u>33,083</u>	<u>31,225</u>	<u>40,101</u>	<u>40,101</u>
Current assets				
Inventories	20,825	16,172	–	–
Trade and other receivables	4,368	2,968	3,064	2,527
Prepayments	1,672	1,112	36	14
Current tax recoverable	142	144	–	–
Cash and cash equivalents	9,999	15,871	151	96
	<u>37,006</u>	<u>36,267</u>	<u>3,251</u>	<u>2,637</u>
Total assets	<u>70,089</u>	<u>67,492</u>	<u>43,352</u>	<u>42,738</u>
Current liabilities				
Trade and other payables	17,608	17,184	238	320
Provision for warranty claims	1,807	1,169	–	–
Interest bearing loans and borrowings (i)	403	393	–	–
Current tax payables	241	252	–	–
	<u>20,059</u>	<u>18,998</u>	<u>238</u>	<u>320</u>
Non-current liabilities				
Deferred tax liabilities	805	936	–	–
Interest bearing loans and borrowings (i)	2,206	2,343	–	–
	<u>3,011</u>	<u>3,279</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>23,070</u>	<u>22,277</u>	<u>238</u>	<u>320</u>
Capital and reserves				
Share capital	43,045	43,045	43,045	43,045
Share-based compensation reserve	364	359	364	359
Accumulated profits/(losses)	30,684	29,388	(295)	(986)
Foreign currency translation reserve	(27,074)	(27,577)	–	–
Total equity	<u>47,019</u>	<u>45,215</u>	<u>43,114</u>	<u>42,418</u>
Total equity and liabilities	<u>70,089</u>	<u>67,492</u>	<u>43,352</u>	<u>42,738</u>

(i) Refer to 1(b)(ii) below.

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

	31-Dec-2017	30-Jun-2017
	\$'000	\$'000
Interest bearing loans and borrowings - short-term	403	393
Interest bearing loans and borrowings - long-term	2,206	2,343
	<u>2,609</u>	<u>2,736</u>

Group's borrowings as at 31 Dec 2017 were S\$2.61 million (30 June 2017 : S\$2.74 million) for the partial financing of the renewal consideration for the lease extension of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia.

Detail of any collateral

The Group's borrowings are secured by charge on the lease of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia and corporate guarantee by the Company.

- 1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) - in SGD

	Group		Group	
	3-Month Period Ended 31-Dec-17 S'000	3-Month Period Ended 31-Dec-16 S'000	6-Month Period Ended 31-Dec-17 S'000	6-Month Period Ended 31-Dec-16 S'000
Operating activities				
Profit after taxation	677	417	1,296	618
<i>Adjustments for:-</i>				
Depreciation of property, plant and equipment	843	517	1,653	1,257
Amortisation of intangible assets	33	34	68	67
Gain on disposal of property, plant and equipment	-	(1)	-	(1)
Property, plant and equipment written off	54	-	54	1
Allowance of inventory obsolescence	68	20	97	42
Interest income	(12)	(10)	(17)	(32)
Interest expense	35	42	83	70
Provision for warranty claims	463	202	865	385
Fair valuation loss on quoted debt securities held-for-trading	-	-	-	2
Equity-settled share based expense	2	34	5	68
Tax credit	(1)	(335)	(47)	(498)
Unrealised foreign exchange loss/(gain)	132	106	237	(369)
	<u>2,294</u>	<u>1,026</u>	<u>4,294</u>	<u>1,610</u>
<i>Changes in working capital:</i>				
(Increase)/Decrease in inventories	(2,227)	132	(4,522)	79
Decrease/(Increase) in trade and other receivables	36	(232)	(1,582)	782
Decrease/(Increase) in prepayments	27	(88)	(175)	(509)
Increase/(Decrease) in trade and other payables	225	(4,063)	537	(1,208)
Net cash from/(used in) operations	<u>355</u>	<u>(3,225)</u>	<u>(1,448)</u>	<u>754</u>
Net income tax paid	(48)	(184)	(63)	(448)
Warranty claims paid	(170)	(220)	(269)	(439)
Cash flows from/(used in) operating activities	<u>137</u>	<u>(3,629)</u>	<u>(1,780)</u>	<u>(133)</u>
Investing activities				
Interest received	13	15	17	27
Proceeds from matured debt securities held-for-trading	-	-	-	300
Purchase of property, plant and equipment	(1,658)	(1,367)	(3,306)	(2,475)
Cash flows used in investing activities	<u>(1,645)</u>	<u>(1,352)</u>	<u>(3,289)</u>	<u>(2,148)</u>
Financing activities				
Repayment of hire purchase liability	-	(19)	-	(20)
Interest paid	(34)	(40)	(80)	(70)
Repayment of interest bearing loans and borrowings (i)	(119)	(149)	(209)	(594)
Cash flows used in financing activities	<u>(153)</u>	<u>(208)</u>	<u>(289)</u>	<u>(684)</u>
Net decrease in cash and cash equivalents	<u>(1,661)</u>	<u>(5,189)</u>	<u>(5,358)</u>	<u>(2,965)</u>
Cash and cash equivalents at beginning of period	11,870	19,065	15,741	16,214
Effect of exchange rate changes on balances held in foreign currency	(344)	552	(518)	1,179
Cash and cash equivalents at end of period (ii)	<u>9,865</u>	<u>14,428</u>	<u>9,865</u>	<u>14,428</u>

- (i) The repayment of loan relates to the Group's borrowings for the partial financing of the renewal consideration for the lease extension of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia.

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
(ii) Cash and cash equivalents per statement of cash flows (S\$'000)	9,865	14,428
Deposits pledged (S\$'000)	134	131
Cash and cash equivalents per the statements of financial position (S\$'000)	<u>9,999</u>	<u>14,559</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) - in SGD

Group	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits/(loss) \$'000	Total \$'000
At 1-Jul-2016	42,999	323	(26,714)	28,867	45,475
Total comprehensive income for the year					
Profit for the year	-	-	-	618	618
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	(191)	-	(191)
Total other comprehensive income	-	-	(191)	-	(191)
Total comprehensive income for the year	-	-	(191)	618	427
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	68	-	-	68
At 31-Dec-2016	42,999	391	(26,905)	29,485	45,970
At 1-Jul-2017	43,045	359	(27,577)	29,388	45,215
Total comprehensive income for the year					
Profit for the year	-	-	-	1,296	1,296
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	503	-	503
Total other comprehensive income	-	-	503	-	503
Total comprehensive income for the year	-	-	503	1,296	1,799
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	5	-	-	5
At 31-Dec-2017	43,045	364	(27,074)	30,684	47,019
Company					
At 1-Jul-2016	42,999	323	(2,290)		41,032
Total comprehensive income for the year					
Profit for the year	-	-	1,790		1,790
Total comprehensive income for the year	-	-	1,790		1,790
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	68	-		68
At 31-Dec-2016	42,999	391	(500)		42,890
At 1-Jul-2017	43,045	359	(986)		42,418
Total comprehensive income for the year					
Profit for the year	-	-	691		691
Total comprehensive income for the year	-	-	691		691
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	5	-		5
At 31-Dec-2017	43,045	364	(295)		43,114

- 1(d) (ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company did not issue any shares during the 3-month period ended 31 December 2017 (31 December 2016: No change).

There are no outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of immediately preceding financial year.

- 1(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.**

The Company did not hold any treasury shares as at 31 December 2017 and 30 June 2017. The Company's share capital consists of 184,234,649 ordinary shares as at 31 December 2017 (30 June 2017: 184,234,649 ordinary shares).

- 1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The Company did not have any treasury shares during the period under review.

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by our auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period, as those of the most recent audited financial statements for the financial year ended 30 June 2017.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The adoption of the new/amended FRS which became effective from 1 July 2017 does not have any significant impact on the financial statements.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividend.

	3-Month Period Ended 31-Dec-17	3-Month Period Ended 31-Dec-16	6-Month Period Ended 31-Dec-17	6-Month Period Ended 31-Dec-16
- on weighted average number of ordinary shares in issue (cents)	0.37	0.23	0.70	0.34
- on a fully diluted basis (cents)	0.37	0.22	0.70	0.33

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)

- on a fully diluted basis (cents)

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :-

(a) Current period reported on; and

(b) Immediately preceding financial year.

	Group	Company
	Dec-17	Jun-17
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	25.52	23.40
	24.54	23.02

Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -**

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

The Group's revenue for the quarter ended 31 December 2017 ("2Q FY2018") increased 61.8% to S\$20.3 million from S\$12.6 million a year ago ("2Q FY2017"). This was driven primarily by the sale of two inventory boats and one trade-in inventory boat, as well as more yachts reaching construction milestones for revenue recognition.

Gross profit grew to S\$3.9 million in 2Q FY2018, up 47.3% from S\$2.6 million in 2Q FY2017, in line with higher revenue. Gross profit margin declined slightly from 20.9% to 19.0% over the comparative periods, due to sale of the trade-in boat, which typically has lower margin.

Total operating expenses – which include costs relating to boat shows, sales and marketing, as well as salaries, commissions and professional fees – increased to S\$3.3 million in 2Q FY2018 from S\$2.4 million in 2Q FY2017, primarily due to higher costs incurred from boat shows, boat demonstrations, advertising and payroll as the Group scales up its marketing efforts.

Other non-operating income in 2Q FY2018 stemmed from foreign exchange gains, while other non-operating expenses in 2Q FY2017 were from foreign exchange losses.

Tax credit in 2Q FY2018 and 2Q FY2017 both arose from the reversal of deferred tax liabilities.

As a result of the above, the Group's net profit increased 62.4% to S\$0.7 million in 2Q FY2018 from S\$0.4 million in 2Q FY2017.

The Group's revenue for the six months ended 31 December 2017 ("1H FY2018") increased 62.7% to S\$41.7 million from S\$25.6 million a year ago ("1H FY2017"). The Group sold three inventory boats and four trade-in inventory boats in 1H FY2018, compared to one inventory boat in 1H FY2017, while more yachts also reached construction milestones for revenue recognition.

In line with the higher revenue, gross profit amounted to S\$7.5 million in 1H FY2018, up 54.2% from S\$4.9 million in 1H FY2017. Gross profit margin declined slightly from 19.1% to 18.1% over the comparative periods due to sales of trade-in boats.

Total operating expenses increased to S\$6.3 million in 1H FY2018 from S\$4.8 million in 1H FY2017, primarily due to higher costs relating to boat shows, boat demonstrations, advertising and payroll costs.

Tax credit in 1H FY2018 and 1H FY2017 arose from the reversal of deferred tax liabilities.

As a result of the above, the Group's net profit increased 109.7% to S\$1.3 million in 1H FY2018, from S\$0.6 million in 1H FY2017.

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

The Group generated S\$0.1 million cash flow from operations in 2Q FY2018 compared to cash flow used in operations of S\$3.6 million in 2Q FY2017, primarily due to higher profits offset by higher inventories in 2Q FY2018, while lower payables and deferred income from work-in-progress in 2Q FY2017 resulted in the net cash outflow in 2Q FY2017. The increase in inventory in 2Q FY2018 was due to an increase in work-in-progress as at 31 December 2017, as a result of higher production activities.

Cash flows used in investing activities amounted to S\$1.6 million in 2Q FY2018, due to the development of new yacht models as well as improvements to the Pasir Gudang facility, including the additional extension of roofing to increase covered usable space. Net cash flows used in investing activities totaled S\$1.4 million in 2Q FY2017 due to similar reasons.

Cash flows used in financing activities amounted to S\$0.2 million in 2Q FY2018, due to the repayment of loans (principal and interest) used to partially finance the lease extension of the Group's yard in Pasir Gudang in FY2016. Cash flows used in financing activities were S\$0.2 million in 2Q FY2017.

As a result of the above, cash and cash equivalents decreased to S\$10.0 million as at 31 December 2017 from S\$12.0 million as at 30 September 2017.

On a half-year basis, the Group's cash flow used in operations amounted to S\$1.8 million in 1H FY2018 compared to S\$0.1 million in 1H FY2017, primarily due to higher inventories and receivables, partially offset by higher payables in 1H FY2018. The net cash outflow in 1H FY2017 was due to lower payables and deferred income from work-in-progress, as well as higher prepayments, which were partially offset by lower receivables.

The increase in inventory in 1H FY2018 was due to increases in raw materials, work-in-progress and higher-value inventory boats – as well as a trade-in boat – as at 31 December 2017, as a result of higher production activities. The increase in receivables during the same period was due to delayed payments by buyers during the year-end festive season.

Cash flows used in investing activities amounted to S\$3.3 million in 1H FY2018, due to the aforementioned development of new yacht models and improvements to the Pasir Gudang facility. Net cash flows used in investing activities in 1H FY2017 totaled S\$2.1 million due to similar reasons.

Cash flows used in financing activities amounted to S\$0.3 million in 1H FY2018, due to the repayment of loans (principal and interest) used to partially finance the lease extension of the Pasir Gudang facility in FY2016. Cash flows used in financing activities were S\$0.7 million in 1H FY2017.

As a result of the above, cash and cash equivalents decreased to S\$10.0 million as at 31 December 2017 from S\$15.9 million as at 30 June 2017.

Non-current assets increased to S\$33.1 million as at 31 December 2017 from S\$31.2 million as at 30 June 2017, due to investment in new yacht models and additional extension of roofing. Current assets increased to S\$37.0 million as at 31 December 2017 from S\$36.3 million as at 30 June 2017, due to increase in inventories and trade and other receivables, partially offset by the decrease in cash and cash equivalents.

Total liabilities increased to S\$23.0 million as at 31 December 2017 from S\$22.3 million as at 30 June 2017, mainly due to the increase in trade and other payables as well as provision for warranty claims.

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

Not applicable.

10. A commentary at the date of the announcement of the 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's third consecutive quarter of profitability reflects the stronger synergies between its two prestigious brands, as well as the achievements at its revamped facility in Pasir Gudang, Malaysia. The 380,000-square feet yard features manufacturing automation, streamlined operations and more usable covered space, has translated into increased utilisation rates and production capacity. The yard's new features enable the Group to produce better-performing, fuel-efficient yachts on a shortened production cycle, which the Group expects to improve the bottom line.

As part of ongoing efforts to drive growth, the Group continues to expand the size and configuration of its product line while simultaneously increasing its international sales networks. It received seven new boat orders in 2Q FY2018 or 15 orders in 1H FY2018, compared with 19 for whole of FY2017. Its net order book stands at S\$38.3 million as at 31 December 2017.

To raise the profile of its award-winning brands, the Group also plans to market its yachts – including the upcoming GB 52, which it will reveal by end-2018 – at upcoming boat shows around the world. These include but are not limited to the Miami International Boat Show (February 15 to 19) and the Singapore Yacht Show (April 12 to 15).

11. Dividend

**a) Current Financial Period Reported on 31 December 2017
Any dividend declared for the current financial year reported on?**

No.

**b) Corresponding Period of the immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?**

No.

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

No dividend has been declared.

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

No IPT mandate has been obtained from shareholders for IPT.

Mr. Mark Jonathon Richards, the Group's Chief Executive Officer, owns the manufacturing facility at Berkeley Vale, Sydney, Australia. This facility is leased to PBM Y, one of the Group's subsidiary companies. For the period from 1 October 2017 through 31 December 2017, the monthly rental amount paid by PBM Y for use of the manufacturing facility was approximately S\$23,100. The transaction has been reviewed by the Risk Management & Audit Committee ("RMAC") of the Company, and the RMAC is of the view that the terms of the transaction is on normal commercial terms, and is not prejudicial to the interest of the Company and its minority shareholders.

14. 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 second quarter ended 31 December 2017 to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its 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).

16. 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.

By Order of the Board
GRAND BANKS YACHTS LIMITED

Chiam Heng Huat
Chief Financial Officer
8 February 2018