



GRAND BANKS YACHTS LIMITED

(Company Reg. No.: 197601189E)

- (A) PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF PALM BEACH MOTOR YACHT CO PTY LTD
 - (B) PROPOSED ALLOTMENT AND ISSUE OF 11,025,400 NEW SHARES IN THE CAPITAL OF THE COMPANY AS PART OF THE CONSIDERATION PAYABLE PURSUANT TO THE PROPOSED ACQUISITION
 - (C) APPOINTMENT OF NEW GROUP CHIEF EXECUTIVE OFFICER UPON COMPLETION OF THE PROPOSED ACQUISITION
-

1. INTRODUCTION

The Board of Directors of Grand Banks Yachts Limited (“**Grand Banks**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a conditional put and call option agreement dated 10 April 2014 (the “**Option Agreement**”) with Mr. Mark Richards (“**Mr. Mark Richards**” or the “**Vendor**”) in respect of the acquisition by the Company of the entire issued and paid-up share capital of Palm Beach Motor Yacht Co Pty Ltd (“**Palm Beach**” or the “**Target Company**”), comprising 2 ordinary shares (“**Option Shares**”), for an aggregate consideration (the “**Consideration**”) of up to AUD10,000,000 (equivalent to approximately S\$11.7 million¹) (the “**Proposed Acquisition**”).

*The Proposed Acquisition is subject to the fulfillment of certain conditions precedent, including the approval by the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting (“**EGM**”) to be convened. Further information on the Proposed Acquisition will be provided in a circular to be issued by the Company in due course for the purpose of convening the EGM (“**Circular**”).*

2. THE PROPOSED ACQUISITION

Under the Option Agreement, the Company has granted the put option to the Vendor to require the Company to purchase from the Vendor (“**Put Option**”), and the Vendor has granted a call option to the Company to require the Vendor to sell to the Company (“**Call Option**”), the Option Shares, subject to the terms and conditions of the Option Agreement. Further information on the Target Company and the Option Agreement is set out below.

¹ Based on current exchange rates of AUD1.00 = S\$1.172 on 9 April 2014 (the “**Exchange Rate**”) (Source: Monetary Authority of Singapore).

2.1 Information on the Target Company

The Target Company is a company incorporated in Australia and Mr. Mark Richards, the Vendor of the Option Shares, is the sole shareholder as well as Chief Executive Officer (“CEO”) of the Target Company.

The Target Company is engaged in the business of manufacturing and selling quality motor yachts in Asia, Australia, Europe and North America (“Territory”) under the “Palm Beach” brand.

2.2 Put and Call Option

The Put Option and the Call Option may be exercised by the Company or the Vendor respectively during the period commencing on the date on which the last in time of the conditions precedent is satisfied or waived in accordance with the Option Agreement or 1 July 2014 (whichever is later), and expiring on 1 August 2014 (“Option Period”). The Put Option and the Call Option must be exercised by notice signed by the Vendor or the Company (as the case may be) and served during the Option Period, failing which, they will lapse and cease to have any further effect.

Upon exercise of the Put Option or the Call Option (as the case may be), the Company will be bound to purchase, and the Vendor will be bound to sell, all (but not only some) of the Option Shares on the terms as set out in the Option Agreement.

2.3 Consideration

The Consideration for the Option Shares was determined on a willing-seller and willing-buyer basis, taking into consideration, amongst other things, the business and operations of the Target Company, and comprises:

- (a) AUD6,000,000 (the “**First Tranche Consideration**”), which shall be satisfied on the Completion Date (as defined below) in the following manner:
 - (i) AUD4,000,000 shall be paid in cash to the Vendor; and
 - (ii) the balance AUD2,000,000 shall be paid in kind by way of an issue of shares in the capital of the Company (“**Consideration GBY Shares**”) to the Vendor or his nominee, at the issue price of S\$0.2126 per share, being the volume weighted average price of the Company’s shares for trades done on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the 30-day period immediately prior to the signing of the Option Agreement.
- (b) an amount (the “**Second Tranche Consideration**”), which shall be satisfied by payment in cash to the Vendor on the Second Tranche Payment Date (as defined below) and to be determined based on the net profit before tax of the Target Company (“**Profit Before Tax**”) for the financial year ending 30 June 2014 (“**FY2014**”) and the financial year ending 30 June 2015 (“**FY2015**”) (collectively, “**Target Profits**”), which shall be computed as follows:
 - (i) where the Target Profits are equal to or more than AUD2,640,000, the Second Tranche Consideration shall be AUD4,000,000; or

(ii) where the Target Profits are less than AUD2,640,000:

$$\begin{array}{rcl} \text{Second} & & \\ \text{Tranche} & = & \frac{(\text{Target Profits X AUD10,000,000})}{\text{AUD2,640,000}} - \text{AUD6,000,000} \\ \text{Consideration} & & \text{(First Tranche} \\ & & \text{Consideration)} \end{array}$$

In the event the result of the calculation of the Second Tranche Consideration in accordance with paragraph 2.3(b)(ii) above is a negative figure (i.e. less than zero), no sum will be payable by the Company to satisfy the Second Tranche Consideration, and there will be no clawback of any part of the First Tranche Consideration already paid to the Vendor.

The 'Second Tranche Payment Date' refers to the date falling within seven (7) business days after the Profit Before Tax calculation for FY2014 and FY2015 has become final and binding on the Vendor and the Company in accordance with the terms of the Option Agreement.

2.4 Conditions of the Proposed Acquisition

The agreement to sell and purchase the Option Shares is conditional upon, amongst other things, the satisfaction of the following conditions:

- (a) the Company having undertaken and completed financial and legal due diligence investigations on the Target Company and the results of such due diligence investigations being satisfactory to the Company in its sole and absolute discretion;
- (b) the Vendor having issued and delivered to the Company the final form of the disclosure letter with regards to the Vendor's warranties on completion of the Proposed Acquisition ("**Completion**"), the form and contents of which being satisfactory to the Company in its sole and absolute discretion;
- (c) the Vendor having delivered the profit and loss accounts and balance sheets of the Target Company for the full year ended 30 June 2013 and the six-month period ended 31 December 2013 to the Company and such accounts being satisfactory to the Company in its sole and absolute discretion;
- (d) all approvals necessary or required from the Board of Directors and/or the Shareholders in connection with the Proposed Acquisition (including any approvals required in connection with financing of the Proposed Acquisition) being obtained;
- (e) approval by SGX-ST for the Proposed Acquisition being obtained by the Company;
- (f) the Company entering into the service agreement with Mr. Mark Richards ("**Service Agreement**") in respect of the appointment of Mr. Mark Richards as the CEO of the enlarged Group as at Completion;
- (g) written confirmation from Balmoral Australia Pty Ltd that the Target Company's outstanding debt at the Completion Date (defined below) is not more than AUD1,500,000;

- (h) Mr. Mark Richards having transferred and/or procured the transfer of the entire legal beneficial interest in Palm Beach Motor Yachts Asia Pty Limited to the Target Company for nominal consideration;
- (i) all government, regulatory or other approvals and authorisations necessary or required in connection with the Proposed Acquisition (including any approvals required in connection with financing of the Proposed Acquisition) being obtained, and if subject to conditions, on such conditions acceptable to the Company and the Vendor, prior to Completion; and
- (j) the Company and the Vendor having agreed on the form and substance of the security for the satisfaction of the Second Tranche Consideration.

If any of the conditions precedent set out above is not fulfilled or not waived (in whole or in part), by the Company and the Vendor, as the case may be, by 1 August 2014 (or such later date as the Vendor and the Company may mutually agree in writing), the Option Agreement shall cease and determine and none of the parties to the Option Agreement shall have any claim against the other for costs, damages, compensation or otherwise, save that the confidentiality obligations of the Company and the Vendor shall survive the termination of the Option Agreement.

2.5 Completion

Subject to the fulfilment and/or waiver of the aforesaid conditions precedent, Completion shall take place on 1 August 2014, or such other date as the Company and Vendor may agree in writing (the "**Completion Date**").

2.6 Other Salient Terms

(a) *Debt Repayment*

Pursuant to the Option Agreement, on the Completion Date, the Company shall place the Target Company in funds to repay its outstanding debt directly to Balmoral Australia Pty Ltd, which shall not exceed AUD1.5 million (equivalent to approximately S\$1.8 million based on the Exchange Rate), and the Vendor shall instruct the Target Company to make such payment ("**Debt Repayment**").

(b) *Moratorium*

The Consideration GBY Shares are under a moratorium for a period of two (2) years commencing from the Completion Date. Accordingly, the Vendor shall not, or shall procure that his nominee shall not, during such two-year period, sell, realise, transfer, assign or otherwise dispose of or create or permit to subsist any encumbrance over, all or any of the Consideration GBY Shares allotted and issued to him or his nominee (including any adjustment for any bonus issue or subdivision).

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition offers an opportunity for the Group to acquire a profitable business and further expand its core business beyond Grand Bank's existing three series of yachts. Palm Beach's motor yachts are sold primarily in the Territory.

Palm Beach produces one of the highest quality and most efficient luxury motor yachts in today's market by utilising modern materials and construction technologies. The Company intends to leverage on some of these technologies and methods with a view to streamline the operational efficiency of its current manufacturing operations in Malaysia in the future.

The appointment of Mr. Mark Richards as CEO (as part of the terms of the Proposed Acquisition) will fill this critical leadership role with a qualified boat-builder who has a proven track record of technological innovation and success in building and marketing boats internationally. As the terms of the Proposed Acquisition include an earn-out model based on the future financial performance of Palm Beach as well as payment of a portion of the Consideration by way of an issue of the Consideration GBY Shares to Mr. Mark Richards, the Directors believe that there is sufficient alignment of interests to drive synergies of both Grand Banks and Palm Beach so as to lay the foundation of a merged entity which has the potential to be one of the world's leading luxury boat companies.

4. FUNDING FOR THE PROPOSED ACQUISITION

The Proposed Acquisition will be funded from a combination of the Group's internal resources and proceeds from the rights issue undertaken by the Group in October 2013 (the "**Rights Issue**").

5. MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**") are as follows:

Rule 1006	Bases	Relative Figure (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets	Not Applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profit ⁽¹⁾	Not meaningful
(c)	The aggregate value of the consideration given, ⁽²⁾ compared with the Company's market capitalisation based on the total number of issued shares in the share capital of the Company (excluding treasury shares) ⁽³⁾	31.6%
(d)	The number of equity securities issued by the Company as consideration for the Proposed Acquisition, ⁽⁴⁾ compared with the number of equity securities previously in issue	6.4%

(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not Applicable
-----	---	----------------

Notes:

- (1) "Net profits" is defined as profit or loss before income tax, minority interests and extraordinary items. Based on the unaudited financial information of the Target Company for the six-month period ended 31 December 2013 and the Group's unaudited financial statements for the six-month period ended 31 December 2013, the Target Company made net profits (subject to final due diligence) whereas the Group reported a net loss. In view of the foregoing the relative figure will not be meaningful and further details of this will be set out in the Circular.
- (2) Based on the maximum Consideration of AUD10.0 million (equivalent to S\$11.7 million based on the Exchange Rate) and the Company's obligation to assume the Debt Repayment.
- (3) Market capitalisation has been calculated on the basis of 173,009,249 ordinary shares in the capital of the Company in issue ("**Shares**") multiplied by the weighted average price of the Shares transacted on 9 April 2014, being the last full market day preceding the date of the Option Agreement where Shares were traded.
- (4) This is determined by dividing the number of Consideration GBY Shares to be issued (being 11,025,400 new Shares) by the number of 173,009,249 Shares in issue.

Notwithstanding that the relative figure under Rule 1006(b) of the Listing Manual is negative (and therefore may still be applicable at the discretion of the SGX-ST), as the relative figure under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Acquisition constitutes a "Major Transaction" under Rule 1010 of the Listing Manual and the Company will be seeking approval of Shareholders at the EGM to be convened.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For illustration purposes only, the following is an analysis and illustration of the financial effects of the Proposed Acquisition on the Group, based on the Group's audited consolidated balance sheet as at its financial year ended 30 June 2013 ("**FY2013**"), and the assumptions as summarised herein and the accompanying notes:

- (a) The financial information of the Target Company is unaudited and has been provided by the management of the Target Company, and is subject to due diligence to be carried out by the Company and its advisors.
- (b) The financial effects of the Proposed Acquisition are based on the terms of the Proposed Acquisition as at 10 April 2014 (in particular, the maximum Consideration being AUD10.0 million (equivalent to S\$11.7 million based on the Exchange Rate)).
- (c) The financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance of the Group

following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after Completion.

- (d) The financial effects of the Proposed Acquisition are based on the Group's audited financial statements for FY2013 and on the Target Company's unaudited financial statements for the financial year ended 30 June 2013.
- (e) No adjustments have been made to align any differences that may result from the adoption of different accounting standards and policies by the Group and the Target Company.
- (f) No impairment assessment of any resultant intangible assets, including goodwill, has been performed. As the final amounts have to be determined upon Completion, the actual amounts could be materially different from this assumption. Any intangible assets, including goodwill, arising thereon from the Proposed Acquisition will be accounted for in accordance with the accounting policies of the Group and assessed for impairment as appropriate.
- (g) For the purpose of computing the net tangible assets of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 30 June 2013.
- (h) For the purpose of computing the net profit attributable to Shareholders and basic earnings per Share of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was completed on 1 July 2012 and the Shares were issued to the Target Company on 1 July 2012.
- (i) The Consideration is financed entirely from internal cash resources.
- (j) Exchange rate of AUD1= S\$1.172 is assumed for the purposes of paragraphs 6.2 and 6.3.
- (k) Shares issued pursuant to the Rights Issue are not included in the computations below.

6.1 Effect on share capital

	As at 30 June 2013	
	Number of Shares	Share Capital (S\$'000)
Share capital of the Company	115,339,500	29,062
Consideration GBY Shares to be issued pursuant to the Proposed Acquisition	11,025,400	2,344
Share capital of the Company after the Proposed Acquisition	126,364,900	31,406

For purely illustrative purposes only, the potential effects on the proportionate interests of the substantial shareholders of the Company which may arise from the issue of all the Consideration GBY Shares pursuant to the Proposed Acquisition are set out in the Appendix to this Announcement.

6.2 Net tangible assets (“NTA”)

	As at 30 June 2013	
	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$' 000)	38,256	41,276
Number of Shares ('000)	115,339	126,365
NTA per Share (In Singapore cents)	33.17	32.66

6.3 (Loss)/Earnings per Share (“EPS”)

	FY2013	
	Before the Proposed Acquisition	After the Proposed Acquisition
Net (loss)/profit attributable to Shareholders (S\$'000)	(5,215)	(4,539)
Weighted average no. of Shares used in the computation of basic EPS	110,862,000	121,887,400
Basic (Loss)/Earnings per Share (In Singapore cents) ⁽¹⁾	(4.70)	(3.72)

Notes:

- (1) Basic EPS is computed based on the weighted average number of Shares for the full financial year.

7. CEO AND DIRECTOR TO BE APPOINTED IN CONNECTION WITH THE PROPOSED ACQUISITION

Pursuant to the Option Agreement, Mr. Mark Richards will be appointed as the CEO of the enlarged Group and an Executive Director of the Company, and on the Completion Date Mr. Mark Richards and the Company will enter into a Service Agreement on such terms to be mutually agreed.

Mr. Mark Richards has over 34 years of experience in the marine and boating industry. He founded Palm Beach in 1995 and is widely regarded for successfully building up the company's range of boats as well as marketing it successfully in the Territory. A qualified shipwright, Mr. Mark Richards in his capacity as CEO of Palm Beach leads a team of about 60 staff who design, build and market the luxury motor yachts out of its yard in Berkeley Vale, outside Sydney.

Mr. Mark Richards, 46, is a seven-time champion skipper of the 628-mile Sydney-to-Hobart yacht race between 2005 and 2013. Mr. Mark Richards also led Australia to victory in the last Admiral's Cup race in the United Kingdom in 2003 and has participated in two America's Cup regattas, representing Australia.

Under Mr. Mark Richards' leadership, Palm Beach has developed a global reputation for designing and producing one of the highest quality and most efficient luxury motor yachts in today's market by utilizing modern materials and construction technologies.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the substantial Shareholders of the Company has an interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholding interests, direct or indirect, in the Company.

9. CIRCULAR AND DOCUMENTS AVAILABLE FOR INSPECTION

The Circular containing information on the Proposed Acquisition and enclosing the notice of EGM to seek Shareholders' approval for the Proposed Acquisition and the proposed issuance of Consideration GBY Shares pursuant to the Proposed Acquisition, amongst other things, will be despatched by the Company to Shareholders in due course.

A copy of the Option Agreement will be made available for inspection by the Shareholders at the registered office of the Company at 541 Orchard Road, #11-04 Liat Towers, Singapore 238881 during normal business hours for three (3) months from the date of this Announcement.

By Order of the Board

GRAND BANKS YACHTS LIMITED

11 April 2014

**APPENDIX
CERTAIN EFFECTS ON SHAREHOLDINGS IN THE COMPANY**

Name of Substantial Shareholder	(A) Before the Proposed Acquisition				(B) After Completion of the Proposed Acquisition (assuming 11,025,400 Consideration GBY Shares are issued to the Vendor)			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Merlion LP	26,250,000	15.2%	-	-	26,250,000	14.3%	-	-
Robert William Livingston ⁽³⁾	1,189,555	0.7%	26,250,000	15.2%	1,189,555	0.6%	26,250,000	14.3%
Exa Limited	39,383,197	22.8%	-	-	39,383,197	21.4%	-	-
Tan Sri Lim Kok Thay ⁽⁴⁾	-	-	39,383,197	22.8%	-	-	39,383,197	21.4%
Golden Hope Limited ⁽⁵⁾	-	-	39,383,197	22.8%	-	-	39,383,197	21.4%
First Names Trust Company (Isle of Man) Limited ⁽⁶⁾	-	-	39,383,197	22.8%	-	-	39,383,197	21.4%
Lim Keong Hui ⁽⁷⁾	-	-	39,383,197	22.8%	-	-	39,383,197	21.4%
Cheng Lim Kong	9,700,000	5.6%	-	-	9,700,000	5.3%	-	-
Mark Richards (the Vendor)	-	-	-	-	11,025,400	6.0%	-	-

Notes:

- (1) The figures are calculated based on 173,009,249 Shares in issue as at 10 April 2014.
- (2) The figures are calculated based on 184,034,649 Shares in issue, assuming that the 11,025,400 Consideration GBY Shares are issued pursuant to the Proposed Acquisition.
- (3) Robert William Livingston is a director of Merlion LP and deemed interested in the Shares held by Merlion LP by virtue of him holding 100% of its voting shares with his wife, Mary Isabella Livingston.
- (4) Tan Sri Lim Kok Thay is deemed interested in the Shares held by Exa Limited.
- (5) Golden Hope Limited as trustee of Golden Hope Unit Trust is deemed interested in the Shares held by Exa Limited.
- (6) First Names Trust Company (Isle of Man) Limited as trustee of a discretionary trust is deemed interested in the Shares held by Exa Limited.
- (7) Lim Keong Hui, as beneficiary of a discretionary trust which First Names Trust Company (Isle of Man) Limited is trustee of, is deemed interested in the Shares held by Exa Limited.