



## GRAND BANKS YACHTS LIMITED

(Company Reg. No.: 197601189E)

(the “Company”)

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## PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP CAPITAL OF STUART YACHT CORPORATION

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### 1. INTRODUCTION

The Board of Directors (the “Board”) of the Company wishes to announce that the Company has on 23 February 2018 entered into a Stock Purchase Agreement (the “SPA”) with Mr Gregory Burdick and Ms Nancy Burdick (the “Sellers”) to acquire 100% of the issued and paid up share capital of Stuart Yacht Corporation (the “Target”) for a total purchase consideration of US\$3.2 million (equivalent to approximately S\$4.2 million) (“Proposed Acquisition”).

The Sellers are independent and unrelated third parties.

Following the completion of the Proposed Acquisition, Target will become a wholly-owned subsidiary of the Company.

### 2. DETAILS OF THE PROPOSED ACQUISITION

#### 2.1 Information on the Target

Target was incorporated in the United States of America, Florida (“USA”) on 27 May 1970. Target is engaged in the business of yacht services and repairs, and owns the land and the Stuart Service Yard situated at 450 SW Salerno Road Stuart, Florida 34997, USA.

As at the date of this Announcement, the corporate details of Target are as follows:

- (a) Total issued and paid-up share capital of Target is US\$15,000.00 comprising 12 (twelve) ordinary shares of US\$1,250.00 per share;
- (b) The directors are Mr Gregory Burdick and Ms Nancy Burdick; and
- (c) The shareholders are Mr Gregory Burdick and Ms Nancy Burdick, each holding 6 (six) ordinary shares fully paid-up to US\$1,250.00 per share, respectively, in the share capital of Target.

Following the completion of the Proposed Acquisition, Mr Mark Jonathon Richards and Mr Samuel Henry Compton will be appointed as directors of the Target in place of the existing directors, Mr Gregory Burdick and Ms Nancy Burdick.

Since 27 May 1970 and except for the period between 31 August 2006 to 19 June 2009, when the Target was owned by a third party, the Sellers, Mr Gregory Burdick and Ms Nancy Burdick, were the shareholders and officers of the Target.

#### 2.2 Rationale of the Proposed Acquisition

The Group is principally engaged in the business of manufacturing and selling luxury yachts worldwide with production facilities principally in Malaysia and Australia.

The Board is of the view that the Proposed Acquisition is in line with the Group’s strategy to effectively and sustainably grow its business, increase shareholders’ value, and is in the best interests of the Group and its shareholders for the following reasons:

- (a) The Proposed Acquisition provides the Company with the opportunity to acquire the land and the Stuart Service Yard located at 450 SW Salerno Road Stuart, Florida 34997, USA, which is currently owned by the Target, and thereby strengthening the Group’s branding, growth profile and long-term value creation for its shareholders;

- (b) The Proposed Acquisition provides the Group with a flagship headquarters in Florida, USA through the consolidation of the Group's fragmented presence in Florida, the epicentre of the Group's business and the boating capital of the world. In addition, the Proposed Acquisition will be an important footprint for the Group's global presence other than Malaysia and Australia;
- (c) Presently, commissioning and hand-over of the Group's luxury yachts as well as service and warranty resolutions are organised and done at third party boat yards and marinas in the Florida area. With the Proposed Acquisition, the client buying experience which is of paramount importance, will be greatly enhanced with in-house facilities and service team. This is consistent with the image and branding of Grand Banks and Palm Beach, the premier luxury yachts;
- (d) There are certain operational cost savings that can be achieved through the consolidation of the Group's offices and facilities in Florida.

### 2.3 Purchase Consideration

The total purchase consideration of US\$3.2 million for the Proposed Acquisition ("**Purchase Consideration**") is arrived at on a willing-buyer willing-seller basis after taking into consideration the following:

- (a) The location of the Target yard in a very well protected area, accessible from both the Atlantic Ocean and the Gulf of Mexico, and close proximity to interstate highways, resorts and amenities;
- (b) The sizable land area (1.56 acres) and the modern facilities of the Target yard including first class deep water docks, slips and concrete boat haul out area, fully enclosed floating workshop equipped with a refurbished 50 ton travel lift, waterfront sales offices, maintenance bays; and
- (c) The location of the Target in Martin County with low property tax and labour rates.

The Purchase Consideration will be satisfied in the following manner:

- (i) US\$100,000.00 deposit to be paid upon signing of the SPA;
- (ii) US\$300,000.00 to be paid upon satisfactory due diligence and transfer of Target shares to the Company at closing date;
- (iii) Approximately US\$600,000.00 to pay off Sellers' lien at closing date; and
- (iv) The balance Purchase Consideration of approximately US\$2,200,000.00 to be paid over a period of 6 years at an interest rate of 4% per annum. In connection with this deferred payment, the Company will issue a Promissory Note in favour of the Sellers and the Company's obligation to fulfil the said payment is secured by way of a pledge over the shares of the Target pursuant to a Collateral Pledge and Escrow Agreement to be entered between the Company and the Target.

Both the initial payments and balance will be funded from internal sources of funds.

### 2.4 Financial Information on the Target

Based on the latest tax returns of the Target for the financial year ended 31 May 2017, the net tangible asset value of the Target was negative US\$209,000 (S\$276,630).

## 3. **SALIENT TERMS OF THE SPA**

The SPA is conditional upon satisfactory legal and financial Due Diligence review. Due Diligence will commence from the date of the SPA i.e. 23 February 2018 to 24 April 2018, 60 days ("**Due Diligence Period**"). If the Company is not satisfied with the outcome of the due diligence review, the Company may terminate the SPA upon issue of a written notice to the Sellers within the Due Diligence Period. The Company may also terminate the SPA for various other reasons, inter alia, inaccuracies and/or breaches of representations and warranties.

Additional terms are as follows:

- (a) Target is free of all liabilities other than disclosed in SPA or during Due Diligence;

- (b) Indemnification by the Sellers for any liabilities including tax, litigation, IP and employee matters prior to Closing;
- (c) Right of the Company to set-off against amounts owing;
- (d) Restrictions will be placed on size of boats that can be docked at adjacent residential property owned by Sellers;
- (e) There will be a right of first refusal the Company will possess with regards to the adjacent residential property owned by Sellers, if Sellers decide to sell the adjacent residential property;
- (f) At closing, a Collateral Pledge and Escrow Agreement will be executed as security for the Promissory Note.

#### Conditions Precedent

The Proposed Acquisition is conditional upon satisfactory due diligence review, independent valuation report and approval by the regulatory authorities.

#### Post-Completion Covenants of the Company and the Sellers

The Company's obligation to fulfil the payment of the balance Purchase Consideration over a period of 6 years pursuant to the terms and conditions of the Promissory Note.

#### Completion

The completion shall take place on 9 May 2018 or 75 days from the date of the SPA.

## 4. **PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

The *pro forma* financial effects of the Proposed Acquisition on the net tangible assets (“NTA”) per share and earnings per share (“EPS”) of the Group have been prepared based on the Company's latest audited consolidated financial statements for the financial year ended 30 June 2017 (“FY2017”).

#### **NTA per share**

For the purposes of illustration only, assuming that the Proposed Acquisition had been effected on 30 June 2017, the effect of the Proposed Acquisition on the Group's NTA per share as at 30 June 2017 will be as follows:

	<b>As at 30 June 2017</b>	<b>After Proposed Acquisition</b>
NTA (S\$'000)	45,215	44,938
Number of issued shares	184,234,649	184,234,649
NTA per shares (cents)	24.54	24.39

#### **EPS**

For the purposes of illustration only, assuming that the Proposed Acquisition had been effected on 1 July 2016, the effect of the Proposed Acquisition on the Group's EPS for FY2017 will be as follows:

	<b>FY2017</b>	<b>After Proposed Acquisition</b>
Net profit attributable to shareholders (S\$'000)	521	579
Weighted average number of shares	184,234,649	184,234,649
Profit per shares (cents)	0.28	0.31

## 5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE SGX LISTING RULES

Rule 1006 of the SGX Listing Rules	Description	Relative Figures
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not Applicable <sup>(1)</sup>
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	11.1% <sup>(2)</sup>
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	6.8% <sup>(3)</sup>
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not Applicable <sup>(1)</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserve.	Not Applicable <sup>(1)</sup>

### Notes:

- (1) The Proposed Acquisition relates to an acquisition of assets and not a disposal of assets. No equity securities issued by the Company as purchase consideration for the Proposed Acquisition. The Company is also not a mineral, oil and gas company.
- (2) The net profit attributable from the Proposed Acquisition of US\$43,986 (S\$58,220) represents approximately 11.1% of the Group's net profit of approximately S\$521,000 for FY2017.
- (3) The Purchase Consideration of US\$3.2 million represents approximately 6.8% of the Company's market capitalisation of approximately S\$61,718,600 as at 22 February 2018, being the last traded market day immediately preceding the date of the SPA.

The relative figures computed on the bases set out in Rule 1006 of the SGX Listing Rules exceeds 5% but do not exceed 20%, the Proposed Acquisition is a "Disclosable Transaction" pursuant to Rule 1010 of the SGX Listing Rules.

## 6. SERVICE CONTRACT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## 7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the above transaction, other than through their respective directorships and/or shareholding interests, if any, in the Company.

## **8. DOCUMENTS FOR INSPECTION**

Copies of the SPA, Promissory Note and the Pledge Agreement are available for inspection at the registered office of the Company at 274 Upper Bukit Timah Road #03-16 Singapore 588213, during normal business hours for a period of three (3) months from the date of this Announcement.

## **9. FURTHER ANNOUNCEMENTS**

The Company will make further announcement(s) as appropriate when there are material developments to the Proposed Acquisition. The Proposed Acquisition is not expected to have a material financial impact for the financial year ending 30 June 2018.

## **10. CAUTION IN TRADING**

Shareholders and potential investors are advised to exercise caution in trading their securities in the Company as the Proposed Acquisition is subject to conditions precedent and there is no certainty or assurance as at the date of this announcement that all of the conditions precedent will be satisfied (or waived, as the case may be) or that the Proposed Acquisition will be completed. In the event that shareholders and potential investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board  
**GRAND BANKS YACHTS LIMITED**  
Chiam Heng Huat  
Chief Financial Officer  
26 February 2018