

# GRAND BANKS YACHTS LIMITED

(Registration No.: 197601189E)

GB

GRAND BANKS

## Third Quarter Unaudited Financial Statements for the Period Ended 31 March 2019

1(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-Mar-19 S'000	3-Month Period Ended 31-Mar-18 S'000 <i>Restated</i>	Inc / (Dec) %	9-Month Period Ended 31-Mar-19 S'000	9-Month Period Ended 31-Mar-18 S'000 <i>Restated</i>	Inc/(Dec) %
Revenue	15,003	22,131	(32.2)	53,909	67,141	(19.7)
Cost of sales	(11,006)	(16,856)	(34.7)	(39,917)	(52,111)	(23.4)
<b>Gross Profit</b>	<u>3,997</u>	<u>5,275</u>	(24.2)	<u>13,992</u>	<u>15,030</u>	(6.9)
Selling and marketing expenses	(2,167)	(2,288)	(5.3)	(7,220)	(7,363)	(1.9)
Administrative expenses	(1,259)	(1,125)	11.9	(3,670)	(3,324)	10.4
Other operating expenses	(106)	(242)	(56.2)	(492)	(521)	(5.6)
Total operating expenses	(3,532)	(3,655)	(3.4)	(11,382)	(11,208)	1.6
<b>Profit from operations</b>	<u>465</u>	<u>1,620</u>	(71.3)	<u>2,610</u>	<u>3,822</u>	(31.7)
Other non-operating (expense)/income, net	(2)	226	N.m	(436)	357	N.m
Finance costs	(228)	(34)	> 100	(383)	(117)	> 100
<b>Profit before tax</b>	<u>235</u>	<u>1,812</u>	(87.0)	<u>1,791</u>	<u>4,062</u>	(55.9)
Tax (expense)/credit	(88)	(28)	> 100	(414)	19	N.m
<b>Net profit for the period</b>	<u><u>147</u></u>	<u><u>1,784</u></u>	(91.8)	<u><u>1,377</u></u>	<u><u>4,081</u></u>	(66.3)

Note - The comparative periods have been restated due to the Group's adoption of SFRS(I) 15 using the retrospective approach whereby revenue is recognised progressively based on the cost-to-cost method (see Paragraph 5 of this announcement).

N.m - Percentage / Computation not meaningful

**Additional information to the income statement:**

	Group		Group		
	3-Month Period Ended 31-Mar-19 \$'000	3-Month Period Ended 31-Mar-18 \$'000	9-Month Period Ended 31-Mar-19 \$'000	9-Month Period Ended 31-Mar-18 \$'000	Inc/(Dec) %
Allowance of inventory obsolescence	(30)	(31)	(27)	(128)	(78.9)
Depreciation of property, plant and equipment	(890)	(866)	(2,492)	(2,519)	(1.1)
Amortisation of intangible assets	(31)	(33)	(95)	(101)	(5.9)
Foreign exchange (loss)/gain, net	(47)	181	(528)	233	N.m
Interest income included in other non-operating income	8	13	17	30	(43.3)
Interest expense included in finance costs	228	34	383	117	> 100
Property, plant and equipment written off	(60)	(14)	(171)	(68)	> 100
Tax:					
- current tax expense	(124)	(84)	(558)	(153)	> 100
- deferred tax credit	36	56	144	172	(16.3)

*N.m - Percentage / Computation not meaningful*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		Group	
	3-Month Period Ended	3-Month Period Ended	9-Month Period Ended	9-Month Period Ended
	31-Mar-19 \$'000	31-Mar-18 \$'000	31-Mar-19 \$'000	31-Mar-18 \$'000
		Inc/(Dec) %		Inc/(Dec) %
<b>Net profit for the period</b>	147	1,784	1,377	4,081
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Net currency translation differences of financial statements of foreign subsidiaries	119	480	(979)	983
<b>Total Comprehensive Income for the period</b>	<u>266</u>	<u>2,264</u>	<u>398</u>	<u>5,064</u>
		(88.3)		(92.1)

*N.m - Percentage / Computation not meaningful*

**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**

	<b>Group</b>		<b>Company</b>	
	<b>31-Mar-19</b>	<b>30-Jun-18</b>	<b>31-Mar-19</b>	<b>30-Jun-18</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>		<i>Restated</i>		
Property, plant and equipment	32,423	29,957	–	–
Subsidiaries	–	–	38,016	38,016
Goodwill	6,441	6,757	–	–
Intangible assets	1,441	1,619	–	–
Deferred tax assets	4,541	5,024	–	–
	<u>44,846</u>	<u>43,357</u>	<u>38,016</u>	<u>38,016</u>
<b>Current assets</b>				
Inventories	34,031	20,886	–	–
Contract assets	5,143	2,946	–	–
Trade and other receivables	1,942	5,777	4,113	5,983
Prepayments	1,108	1,254	37	20
Cash and cash equivalents	3,721	8,437	95	73
	<u>45,945</u>	<u>39,300</u>	<u>4,245</u>	<u>6,076</u>
<b>Total assets</b>	<u>90,791</u>	<u>82,657</u>	<u>42,261</u>	<u>44,092</u>
<b>Current liabilities</b>				
Contract liabilities	6,889	8,144	–	–
Trade and other payables	9,480	9,452	244	412
Provision for warranty claims	1,552	2,070	–	–
Interest bearing loans and borrowings (i)	9,548	433	–	–
Deferred consideration (i)	578	465	–	–
Current tax payables	46	212	–	–
	<u>28,093</u>	<u>20,776</u>	<u>244</u>	<u>412</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	464	669	–	–
Interest bearing loans and borrowings (i)	4,053	2,037	–	–
Deferred consideration (i)	2,149	2,628	–	–
	<u>6,666</u>	<u>5,334</u>	<u>–</u>	<u>–</u>
<b>Total liabilities</b>	<u>34,759</u>	<u>26,110</u>	<u>244</u>	<u>412</u>
<b>Capital and reserves</b>				
Share capital	43,045	43,045	43,045	43,045
Share-based compensation reserve	378	370	378	370
Accumulated profits/(losses)	12,246	11,790	(1,406)	265
Foreign currency translation reserve	363	1,342	–	–
<b>Total equity</b>	<u>56,032</u>	<u>56,547</u>	<u>42,017</u>	<u>43,680</u>
<b>Total equity and liabilities</b>	<u>90,791</u>	<u>82,657</u>	<u>42,261</u>	<u>44,092</u>

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

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

	<b>31-Mar-2019</b>	<b>30-Jun-2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest bearing loans and borrowings - short-term	9,548	433
Deferred consideration - short-term	578	465
Interest bearing loans and borrowings - long-term	4,053	2,037
Deferred consideration - long-term	2,149	2,628
	<u>16,328</u>	<u>5,563</u>

Group's borrowings as at 31 Mar 2019 were S\$16.3 million (30 June 2018 : S\$5.6 million) for the partial financing of the renewal consideration for the lease extension of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia, the partial financing of the acquisition in May 2018 of Stuart Yacht Corporation (SYC) and partial financing of three inventory boats.

**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, corporate guarantee by the Company, charge on the shares of SYC and charge on three inventory boats.

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-Mar-19 S'000	3-Month Period Ended 31-Mar-18 S'000	9-Month Period Ended 31-Mar-19 S'000	9-Month Period Ended 31-Mar-18 S'000
<b>Operating activities</b>				
Profit after taxation	147	1,784	1,377	4,081
<i>Adjustments for:-</i>		<i>Restated</i>		<i>Restated</i>
Depreciation of property, plant and equipment	890	866	2,492	2,519
Amortisation of intangible assets	31	33	95	101
Property, plant and equipment written off	60	14	171	68
Allowance made for slow moving materials	30	31	27	128
Interest income	(8)	(13)	(17)	(30)
Interest expense	228	34	383	117
Provision for warranty claims	408	354	1,247	1,219
Equity-settled share based expense	3	3	8	8
Tax expense/(credit)	88	28	414	(19)
Unrealised foreign exchange (gain)/loss	(47)	28	316	265
	<u>1,830</u>	<u>3,162</u>	<u>6,513</u>	<u>8,457</u>
<i>Changes in working capital:</i>				
(Increase)/Decrease in inventories	(2,138)	4,509	(13,557)	(839)
Increase in contract assets	(1,604)	(2,216)	(2,316)	(3,535)
(Increase)/Decrease in trade and other receivables	(1,206)	(1,609)	3,514	(2,061)
Decrease/(Increase) in prepayments	286	(427)	127	(602)
Increase/(Decrease) in contract liabilities	286	3,872	(1,255)	3,416
(Decrease)/Increase in trade and other payables	(4,187)	(4,100)	683	(3,093)
Net cash (used in)/from operations	<u>(6,733)</u>	<u>3,191</u>	<u>(6,291)</u>	<u>1,743</u>
Net income tax paid	(35)	100	(329)	37
Warranty claims paid	(638)	(221)	(1,729)	(490)
<b>Cash flows (used in)/from operating activities</b>	<u>(7,406)</u>	<u>3,070</u>	<u>(8,349)</u>	<u>1,290</u>
<b>Investing activities</b>				
Interest received	8	13	17	30
Deposit paid for acquisition of assets	-	(131)	-	(131)
Purchase of property, plant and equipment	(2,095)	(1,526)	(6,113)	(4,832)
<b>Cash flows used in investing activities</b>	<u>(2,087)</u>	<u>(1,644)</u>	<u>(6,096)</u>	<u>(4,933)</u>
<b>Financing activities</b>				
Interest paid	(236)	(34)	(383)	(114)
Dividend Paid	-	-	(921)	-
Repayment of deferred consideration (i)	(116)	-	(346)	-
Repayment of interest bearing loans and borrowings (i)	(200)	(100)	(440)	(309)
Proceeds from interest bearing loans and borrowings	154	-	11,164	-
<b>Cash flows (used in)/from financing activities</b>	<u>(398)</u>	<u>(134)</u>	<u>9,074</u>	<u>(423)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(9,891)</u>	<u>1,292</u>	<u>(5,371)</u>	<u>(4,066)</u>
Cash and cash equivalents at beginning of period	13,148	9,865	8,305	15,741
Effect of exchange rate changes on balances held in foreign currency	334	28	657	(490)
<b>Cash and cash equivalents at end of period (ii)</b>	<u>3,591</u>	<u>11,185</u>	<u>3,591</u>	<u>11,185</u>

(i) The repayment of loans and borrowings 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, the partial financing of the acquisition of Stuart Yacht Corporation and partial financing of three inventory boats.

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
(ii) Cash and cash equivalents per statement of cash flows (S\$'000)	3,591	11,185
Deposits pledged (S\$'000)	130	132
Cash and cash equivalents per the statements of financial position (S\$'000)	<u>3,721</u>	<u>11,317</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

	Share capital S'000	Share-based compensation reserve S'000	Foreign currency translation reserve S'000	Accumulated profits/(loss) S'000	Total S'000
<b>Group - Restated</b>					
At 1-Jul-2017 - as previously reported	43,045	359	(27,577)	29,388	45,215
Effect of adoption of SFRS(I) 1	-	-	27,577	(27,577)	-
Effect of adoption of SFRS(I) 15	-	-	-	656	656
Adjusted balance at 1-Jul-2017	43,045	359	-	2,467	45,871
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	4,081	4,081
<b>Other comprehensive income</b>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	983	-	983
Total other comprehensive income	-	-	983	-	983
<b>Total comprehensive income for the period</b>	-	-	983	4,081	5,064
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled performance shares	-	8	-	-	8
At 31-Mar-2018	43,045	367	983	6,548	50,943
At 1-Jul-2018 - as previously reported	43,045	370	(26,235)	38,851	56,031
Effect of adoption of SFRS(I) 1	-	-	27,577	(27,577)	-
Effect of adoption of SFRS(I) 15	-	-	-	516	516
Adjusted balance at 1-Jul-2018	43,045	370	1,342	11,790	56,547
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	1,377	1,377
<b>Other comprehensive income</b>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	(979)	-	(979)
Total other comprehensive income	-	-	(979)	-	(979)
<b>Total comprehensive income for the period</b>	-	-	(979)	1,377	398
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled performance shares	-	8	-	-	8
Final dividend paid in respect of financial year ended 30 June 2018 of 0.05 cents per share one-tier tax exempt (30 June 2017 : Nil)	-	-	-	(921)	(921)
At 31-Mar-2019	43,045	378	363	12,246	56,032
<b>Company</b>					
At 1-Jul-2017	43,045	359	(986)		42,418
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	1,511		1,511
<b>Total comprehensive income for the period</b>	-	-	1,511		1,511
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled performance shares	-	8	-		8
At 31-Mar-2018	43,045	367	525		43,937
At 1-Jul-2018	43,045	370	265		43,680
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	(750)		(750)
<b>Total comprehensive income for the period</b>	-	-	(750)		(750)
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled performance shares	-	8	-		8
Final dividend paid in respect of financial year ended 30 June 2018 of 0.05 cents per share one-tier tax exempt (30 June 2017 : Nil)	-	-	(921)		(921)
At 31-Mar-2019	43,045	378	(1,406)		42,017

- 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 March 2019 (31 March 2018: No change).

There were 3,300,000 outstanding options as at 31 March 2019 (31 March 2018: 3,300,000 options).

Except for the above, 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 March 2019 and 30 June 2018. The Company's share capital consists of 184,234,649 ordinary shares as at 31 March 2019 (30 June 2018: 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.**

Except as disclosed in paragraph 5 below, 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 2018.

- 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.**

During the year, the Group adopted Singapore Financial Reporting Standards (International) (SFRS(I)s). The unaudited financial statements have been prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Standards (International)* has been applied.

Previously, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is described below:

Adoption of SFRS(I) 1:

The Group has elected the option to reset its cumulative foreign currency translation reserves (FCTR) of S\$27.6 million losses to nil as at 1 July 2017, the date of transition, and reclassified to accumulative profits.

The Group has also elected to change its inventory valuation policy from first-in-first-out to weighted average. The impact is insignificant.

<b>Group</b>			
<b>30 Jun 2018</b>			
	As previously reported S\$'000	Adoption of SFRS(I) 1 S\$'000	As restated S\$'000
Accumulated profits/(losses)	38,851	(27,577)	11,274
Foreign currency translation reserve	(26,235)	27,577	1,342

Adoption of SFRS(I) 15:

The Group has adopted SFRS(I) 15 using the retrospective approach. The Group applied all of the requirements of SFRS(I) 15 retrospectively, except for practical expedient with regards to completed contracts. Completed contracts that began and ended within the same annual reporting period, as well as completed contracts as at 1 July 2017, were not restated.

Under SFRS(I) 15, revenue is recognised progressively based on the cost-to-cost method. The impact on the comparative information (i.e. revenue, cost of sales, contract assets, contract liabilities and accumulated profits) is as follows:

**Group statement of profit or loss and other comprehensive income for the financial period ended 31 March 2018:**

	<b>Group (Third Quarter FY2018)</b>				<b>Group (9 months FY2018)</b>			
	<b>3 months ended 31 Mar 2018</b>				<b>9 months ended 31 Mar 2018</b>			
	As previously reported S\$'000	Adoption of SFRS(I) 15 S\$'000	Reclass (* ) S\$'000	As restated S\$'000	As previously reported S\$'000	Adoption of SFRS(I) 15 S\$'000	Reclass (* ) S\$'000	As restated S\$'000
Revenue	23,836	(1,705)	-	22,131	65,501	1,640	-	67,141
Cost of sales	(18,831)	1,563	412	(16,856)	(52,958)	(781)	1,628	(52,111)
Gross profit	5,005	(142)	-	5,275	12,543	859	-	15,030
Selling & marketing expenses	(1,876)	-	(412)	(2,288)	(5,735)	-	(1,628)	(7,363)
Net profit after tax	1,926	(142)	-	1,784	3,222	859	-	4,081
Other comprehensive income	480	-	-	480	983	-	-	983
Total comprehensive income	2,406	(142)	-	2,264	4,205	859	-	5,064

(\*) There was reclassification of sales commissions from cost of sales to selling and marketing expenses to conform to current year presentation. This reclassification has no impact on the profit and loss for the comparative periods.

**Group statement of financial position as at 30 June 2018:**

<b>Group</b>					
<b>30 Jun 2018</b>					
	As previously reported S\$'000	Adoption of SFRS(I) 1 S\$'000	Adoption of SFRS(I) 15 S\$'000	Reclass (* ) S\$'000	As restated S\$'000
Inventories (Current assets)	22,295	-	(1,409)	-	20,886
Contract assets (Current assets)	1,125	-	1,821	-	2,946
Contract liabilities (Current liabilities)	4,736	-	1,650	1,758	8,144
Accumulated profits (Equities)	38,851	(27,577) #	516	-	11,790

(#) In addition to SFRS(I) 15, the accumulated profits was reduced by S\$27.6 million following the adoption of SFRS(I) 1.



**Statement of cash flows for the Group for the financial period ended 31 March 2018:**

	<b>Group (Third Quarter FY2018)</b>			<b>Group (9 months FY2018)</b>		
	<b>3 months ended 31 Mar 2018</b>			<b>9 months ended 31 Mar 2018</b>		
	As previously reported	Adoption of SFRS(I) 15	As restated	As previously reported	Adoption of SFRS(I) 15	As restated
<b>Cash flows from operating activities</b>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Profit after taxation	1,926	(142)	1,784	3,222	859	4,081
Decrease/(Increase) in inventories	2,902	1,607	4,509	(1,620)	781	(839)
Increase in contract assets	-	(2,216)	(2,216)	-	(3,535)	(3,535)
Increase in contract liabilities	-	3,872	3,872	-	3,416	3,416

**Earnings per share**

	<b>Group (Third Quarter FY2018)</b>		<b>Group (9 months FY2018)</b>	
	As previously reported 3 months ended 31 Mar 2018	As restated 3 months ended 31 Mar 2018	As previously reported 9 months ended 31 Mar 2018	As restated 9 months ended 31 Mar 2018
<b>Earnings per share (in cents S\$)</b>	(Q3 FY2018)	(Q3 FY2018)	(9 months)	(9 months)
(a) Based on weighted average number of ordinary shares on issue	1.05	0.97	1.75	2.22
(b) On a fully diluted basis	1.04	0.96	1.74	2.21

**Net tangible assets**

	<b>Group (31 March 2018)</b>	
	As previously reported 31 Mar 2018	As restated 31 Mar 2018
Net asset value per ordinary share (in cents S\$)	26.83	27.30

**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.**

	<b>3-Month Period Ended 31-Mar-19</b>	<b>3-Month Period Ended 31-Mar-18</b>	<b>9-Month Period Ended 31-Mar-19</b>	<b>9-Month Period Ended 31-Mar-18</b>
		<i>Restated</i>		<i>Restated</i>
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)	0.08	0.97	0.75	2.22
- on a fully diluted basis (cents)	0.08	0.96	0.74	2.21

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.**

	<b>Group</b>	<b>Company</b>
	<i>Restated</i>	
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)		
	<b>Mar-19</b>	<b>Jun-18</b>
		<i>Restated</i>
	30.41	30.69
		<b>Mar-19</b>
		<b>Jun-18</b>
		22.81
		23.71

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 March 2019 ("3Q FY2019") decreased 32.2% to S\$15.0 million from S\$22.1 million for the quarter ended 31 March 2018 ("3Q FY2018"). This was primarily due to fewer boats in production reaching maturity and fewer stock/trade-in boat sales; with one trade-in boat sale in 3Q FY2019 compared to two stock boats sales and one trade-in sale in 3Q FY2018.

Gross profit margin improved to 26.6% in 3Q FY2019 from 23.8% in 3Q FY2018 due to larger and higher margin boats in production and improved production efficiency. In line with lower revenue, gross profit decreased to S\$4.0 million, down 24.2% from S\$5.3 million over the comparative periods.

Total operating expenses – which include costs relating to boat shows, sales and marketing, as well as salaries, decreased to S\$3.5 million in 3Q FY2019 from S\$3.7 million in 3Q FY2018, primarily due to lower sales commission expenses and professional fees.

Other non-operating expenses in 3Q FY2019 were due to foreign exchange losses, while other non-operating income in 3Q FY2018 was due to foreign exchange gains. Finance costs in 3Q FY2019 increased due to the interest costs incurred in the financing of three inventory boats and the financing of the acquisition in May 2018 of Stuart Yacht Corporation.

The tax expenses in 3Q FY2019 rose to S\$88,000 from S\$28,000 in 3Q FY2018 due to increased tax expenses of profitable subsidiaries.

As a result of the above, the Group's net profit was S\$0.1 million in 3Q FY2019, compared to a net profit of S\$1.8 million in 3Q FY2018.

The Group's revenue for the nine months ended 31 March 2019 ("9M FY2019") decreased 19.7% to S\$53.9 million from S\$67.1 million for the nine months ended 31 March 2018 ("9M FY2018"), primarily due to fewer boats in production reaching maturity and fewer stock/trade-in boat sales (9M FY2019: four stock boats and two trade-in sales; 9M FY2018: five stock boats and five trade-in sales).

Gross profit margin increased to 26.0% in 9M FY2019 from 22.4% in 9M FY2018, driven by production efficiency and fewer trade-in boat sales. Gross profit decreased to S\$14.0 million, down 6.9% from S\$15.0 million over the comparative periods.

Total operating expenses increased marginally to S\$11.4 million in 9M FY2019 from S\$11.2 million in 9M FY2018, primarily due to higher advertising and payroll costs.

Other non-operating expenses in 9M FY2019 were due to foreign exchange losses, while other non-operating income in 9M FY2018 was due to foreign exchange gains. Finance costs in 9M FY2019 increased due to the partial financing of three inventory boats, as well as the financing of the acquisition in May 2018 of Stuart Yacht Corporation.

The tax expenses in 9M FY2019 arose from tax expenses of profitable subsidiaries while tax credit in 9M FY2018 arose from the reversal of deferred tax liabilities.

As a result of the above, the Group's net profit was S\$1.4 million in 9M FY2019, compared to a net profit of S\$4.1 million in 9M FY2018.

**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's cash flow used in operations was S\$7.4 million in 3Q FY2019 compared to cash flow from operations of S\$3.1 million in 3Q FY2018, due primarily to higher inventory, contract assets and trade and other receivables as well as lower trade and other payables.

The increase in inventory was due to higher value of inventory boats in the production line. Contract assets, as well as trade and other receivables, increased due to unbilled billings to customers and deferred payments by customers respectively. Subsequent to the quarter-end, S\$5.0 million were received in April 2019. The deferred payments to vendors in December 2018 arising from the year end festive season were subsequently paid in 3Q FY2019, resulting in the lower trade and other payables.

Cash flows used in investing activities amounted to S\$2.1 million in 3Q FY2019 due to the development of new yacht models and improvements to the Pasir Gudang facility, including the reconfiguration and revamped layout of production lines and processes. Net cash flows used in investing activities totaled S\$1.6 million in 3Q FY2018.

Cash flows used in financing activities amounted to S\$0.4 million in 3Q FY2019, due to the repayment of loans, deferred consideration (principal and interest) used to partially finance the lease extension of the Group's Pasir Gudang yard in FY2016, the purchase of a service yard facility in the U.S. in FY2018 and financing of three inventory boats in December 2018. Cash flows used in financing activities were S\$0.1 million in 3Q FY2018.

On a nine-month basis, the Group's cash flow used in operations was S\$8.4 million in 9M FY2019 compared to cash flow from operation of S\$1.3 million in 9M FY2018, primarily due to higher inventories and contract assets as well as a decrease in contract liabilities. This was offset by lower trade receivables as well as an increase in trade payables, which were due to deposits received for new boat orders.

Cash flows used in investing activities amounted to S\$6.1 million in 9M FY2019 due to the development of new yacht models as well as improvements to the Pasir Gudang facility as stated above. Net cash flows used in investing activities totaled S\$4.9 million in 9M FY2018.

Cash flows from financing activities amounted to S\$9.1 million in 9M FY2019, due to the proceeds from interest-bearing loans and financing of inventory boats. This was partially offset by the repayment of loans, deferred consideration (principal and interest) and dividend payment. Cash flows used in financing activities were S\$0.4 million in 9M FY2018.

As a result of the above, cash and cash equivalents were S\$3.7 million as at 31 March 2019 compared to S\$8.4 million as at 30 June 2018.

Non-current assets came to S\$44.8 million as at 31 March 2019, compared to S\$43.4 million as at 30 June 2018, mainly due to increase in property, plant and equipment. Current assets increased to S\$45.9 million as at 31 March 2019 from S\$39.3 million as at 30 June 2018, due to the aforementioned increases in inventories and contract assets, partially offset by lower trade and other receivables and cash and cash equivalents.

Total liabilities increased to S\$34.8 million as at 31 March 2019 from S\$26.1 million as at 30 June 2018, due mainly to the increases in interest-bearing loans and borrowings, partially offset by lower contract liabilities.

**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 remained profitable despite recording lower overall sales during the quarter and saw its gross profit margins improve, resulting from more efficient manufacturing processes. It has received five new boat orders and one trade-in boat order during the period under review, resulting in a net order book of S\$47.5 million as at 31 March 2019 compared to S\$32.8m as at 31 March 2018. Performance in the subsequent quarter is expected to improve following sales of four stock boats after 3Q FY2019.

To accelerate automation and increase production efficiency at its 480,000-square feet yard in Pasir Gudang, Malaysia, the Group added a second robot. The yard layout was also changed to accommodate the new robot and facilitate the designing and prototyping of new boats. The Group's portfolio of luxury yachts is set to expand, with models such as the Grand Banks 54 (formerly Grand Banks 52), Palm Beach GT60 and Palm Beach GT70 all scheduled to debut in the calendar year 2019.

In April 2019, the Group's Palm Beach GT50 made its Asian debut at the Singapore Yacht Show 2019. The GT50, a sleeker, fast and fuel-efficient newly designed luxury yacht which has won major international awards, will be featured at Cannes, France in September this year.

The GT50 will make its Australian debut at the 23–26 May 2019 Sanctuary Cove International Boat Show in Queensland. Other boat models at the show will include the Palm Beach 65, Palm Beach 55 and Palm Beach 50.

The Group is building the Palm Beach 50 and Palm Beach 55 at its manufacturing facility in Berkeley Vale, Australia.

Moving forward, the Group will build the foundation for long-term growth through its investment in its facilities, inventory and new models, while being cautious and striving to minimise operating costs.

**11. Dividend**

**a) Current Financial Period Reported on 31 March 2019**

**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 January through 31 March 2019, the monthly rental amount paid by PBM Y for use of the manufacturing facility was approximately S\$23,000. 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 third quarter ended 31 March 2019 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  
15 May 2019