



GRAND BANKS YACHTS LIMITED

(Company Reg. No.: 197601189E)

UPDATE ON 9M FY2020 PERFORMANCE AND COST-CONTAINMENT MEASURES FOLLOWING IMPACT OF COVID-19 PANDEMIC

The Board of Directors (the “Board”) of Grand Banks Yachts Limited (“Grand Banks” or the “Group”) wishes to update shareholders on the Group’s performance for the three months ended 31 March 2020 (“3Q FY2020”) and the nine months ended 31 March 2020 (“9M FY2020”) as well as significant cost-containment measures in view of the COVID-19 pandemic which has impacted economic and business outlook significantly.

FINANCIAL PERFORMANCE FOR 3Q FY2020 and 9M FY2020

While the Group had announced on 14 February 2020 that it would transition to half-year and full-year reporting, it wishes to update its financial performance as follows:

	3 Months Ended			9 Months Ended		
	31-Mar-20	31-Mar-19	Change	31-Mar-20	31-Mar-19	Change
	S\$’000	S\$’000	%	S\$’000	S\$’000	%
Revenue	27,319	15,003	82.1%	72,401	53,909	34.3%
Gross Profit	5,730	3,997	43.4%	16,919	13,992	20.9%
Profit before tax	1,149	235	388.9%	4,045	1,791	125.9%
Profit after tax	1,286	147	774.8%	3,328	1,377	141.7%

Revenue increased 34.3% to S\$72.4 million in 9M FY2020 from S\$53.9 million a year ago. This was primarily due to more boats in production as well as more stock boat sales. Net profit after tax more than doubled to S\$3.3 million from S\$1.4 million for the comparative periods.

The Group’s net order book as at 31 March 2020 stood at S\$50.4 million, compared to S\$63.9 million as at 31 December 2019 and S\$47.5 million as at 31 March 2019. For 3Q FY2020 the Group booked orders for seven boats (including one trade-in), with two cancellations of orders. Four of the orders were booked in February and March 2020, after the increase of COVID-19 infections outside China.

INITIAL ASSESSMENT OF IMPACT ON BUSINESS DUE TO COVID-19

The COVID-19 pandemic, together with the steep fall in global oil prices, have resulted in a combined global supply and demand shock. The economic climate has deteriorated in recent weeks, notwithstanding various government stimulus programmes. Most parts of the USA, Europe and Australia are in some form of lock-down, resulting in boat shows in these geographies being cancelled. The Group’s manufacturing yard in Pasir Gudang, Malaysia, has been closed since 18 March 2020 in compliance with the Movement Control Order (“MCO”) issued by the Malaysian Government to curb the spread of the COVID-19 infection within the country. The MCO has since been extended to 12 May 2020, which would mean that the main manufacturing facility of the Group would have been out of

operation for eight weeks. The MCO has halted construction and delayed construction milestones, thereby reducing the Group's revenue recognition based on Percentage of Completion basis.

The Directors believe that the pandemic will have a significant negative financial impact on the Group's performance for 4Q FY2020. International boat shows, which comprise the Group's main marketing channel, have been largely cancelled globally, resulting in significant decline in booking of sales orders.

The Group therefore expects to report a loss for 4Q FY2020.

COST-CONTAINMENT MEASURES TO MITIGATE IMPACT OF COVID-19

In view of the sudden deterioration of the business climate, management has undertaken an urgent review of its operations to mitigate the impact of COVID-19 and to position the Group for business continuity and future growth opportunities following the pandemic.

Accordingly, the Directors wish to announce the following cost-containment measures:

- i) At the initiation of the CEO, the Management team, along with the Directors, have voluntarily agreed to a 50% pay-cut with effect from April 2020;
- ii) Regrettably, the workforce will be reduced by 96 in Malaysia (comprising locals, foreign workers and expatriates) and by 10 in Australia with effect from April 2020. Following these retrenchments, the total headcount of the Group will be reduced by 12.4% to 748.

In addition, the Group will continue to pursue other cost-saving initiatives to reduce its operating expenses further, including:

- iii) Anticipating a progressive re-start of the Malaysia factory after the MCO with safe distancing requirements, the Group will segregate the workforce into two teams with alternating three-day workweek;
- iv) Selective cancellation of participation in boat shows;
- v) Negotiation of fee reduction with professional consultancy and other service providers;
- vi) Reduction in business travel.

The Board will continue to closely monitor the situation and will make the appropriate announcement(s) on any material developments as and when they arise.

By Order of the Board

Mark Richards
Chief Executive Officer

28 April 2020