



GRAND BANKS YACHTS LIMITED

(Company Reg. No.: 197601189E)

BUSINESS UPDATE

The Board of Directors (the “Board”) of Grand Banks Yachts Limited (“Grand Banks” or the “Group”) wishes to update shareholders on the status of the Group’s business.

The three months ended 30 September 2021 (“1Q FY2022”) was a challenging quarter, as the Group faced several disruptions to operations, totalling almost two and a half months, at its manufacturing facility in Pasir Gudang, in compliance with the Movement Control Order issued by the Malaysian Government effective from 1 June 2021.

The Group undertook a private vaccination programme for its remaining yet-to-be-vaccinated workforce and progressively resumed full operations from 12 September 2021. During the operational halts, employees took medical and annual leave, and the Group paid partial salary for days not covered by leave.

The Group has implemented all best practices recommended by the Malaysian Government to prevent COVID-19 infection, including safe distancing at the workplace, weekly ART tests and Work-From-Home routines, where possible. The Group is pleased to announce that at the last ART test on 17 October 2021, all factory floor workers at Pasir Gudang yard tested negative for COVID-19.

As a result of the prolonged shutdown, the Group was unable to progress construction of pre-sold boats. As the Group records revenue on a Percentage-Of-Completion basis, this also affected revenue in the quarter under review. Accordingly, 1Q FY2022 revenue is expected to be S\$11.5 million compared with S\$24.6 million for 1Q FY2021, a decline of 53.3%.

As the factory was shutdown, fixed overhead costs were still accruing, resulting in unabsorbed manufacturing overhead costs (“unabsorbed variances”). Coupled with uncertainties in the shipping industry, the Group made additional accruals to freight costs that are expected to result in a negative gross profit for 1Q FY2022.

Consequently, the Group will record a loss for 1Q FY2022. With resumption of boat construction activities since mid-September 2021 and the backlog of orders on hand, the Group hopes to recover its financial performance in FY2022.

Despite the disruptions to operations, the global yachting market is seeing an increase in demand for luxury yachts amid border restrictions during the pandemic, and high net worth individuals are looking to yachting as an attractive alternative. In the USA where much of the COVID-19 measures have been lifted, the Group participated in two boat shows in the USA (Norwalk and Newport). The Group also participated in a boat show in Cannes, Europe whilst continuing its digital marketing and other online sales initiatives to drive new boat orders.

During 1Q FY2022, the Group booked 11 new built-to-order boat orders, totalling S\$43.8 million, lifting the net order book to an all-time high of S\$152.5 million as at 30 September 2021, compared to S\$62.1 million as at 30 September 2020.

While continued disruptions in sea freight is expected to increase freight costs to transport yachts to our customers, the Group is closely monitoring the situation and is taking steps to minimise this potential impact. With the Pasir Gudang yard in full operation since mid-September 2021, the Group expects to catch up on its production and revenue-generation as yachts are constructed and delivered.

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

By Order of the Board

Mark Richards
Chief Executive Officer

27 October 2021