



GRAND BANKS YACHTS LIMITED

(Company Registration No.: 197601189E)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST HALF YEAR ENDED 31 DECEMBER 2022

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1 (a) Consolidated income statement (Unaudited)
For the first half year ended 31 December 2022

	Note	Group		Change %
		6-Month period		
		ended 31 December		
		2022	2021	
		\$'000	\$'000	
Revenue	4	50,215	33,768	48.7
Cost of sales		<u>(36,081)</u>	<u>(26,263)</u>	37.4
Gross profit		14,134	7,505	88.3
Selling and marketing expenses		(5,355)	(5,288)	1.3
Administrative expenses		(3,722)	(2,949)	26.2
Other operating expenses		(518)	(263)	96.7
Total operating expenses		<u>(9,595)</u>	<u>(8,500)</u>	12.9
Profit/(Loss) from operations		4,539	(995)	N.m
Other non-operating (expense)/income, net	2(a)	(77)	428	N.m
Finance cost		<u>(110)</u>	<u>(115)</u>	4.3
Profit/(Loss) before tax	2(a)	4,352	(682)	738.1
Tax expense	2(b)	<u>(738)</u>	<u>(12)</u>	N.m
Profit/(Loss) for the period attributable to owners of the Company		<u>3,614</u>	<u>(694)</u>	620.7

N.m – Percentage / Computation not meaningful

1 (a) Consolidated income statement (Unaudited)
For the first half year ended 31 December 2022

	<u>Group</u>		
	6-Month period		
	ended 31 December		
	2022	2021	Inc/(Dec)
	\$'000	\$'000	%
Profit/(Loss) for the period	3,614	(694)	620.7
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Translation differences relating to financial statements of foreign subsidiaries	<u>(2,065)</u>	<u>(57)</u>	N.m
Other comprehensive loss for the period, net of income tax	<u>(2,065)</u>	<u>(57)</u>	N.m
Total comprehensive income/(loss) for the period attributable to owners of the Company	<u><u>1,549</u></u>	<u><u>(751)</u></u>	306.3

N.m – Percentage / Computation not meaningful

1 (b) Consolidated statements of financial position (Unaudited)
As at first half year ended 31 December 2022

	Note	Group		Company	
		31-Dec-22 \$'000	30-Jun-22 \$'000	31-Dec-22 \$'000	30-Jun-22 \$'000
Non-current assets					
Property, plant and equipment	2(c)	30,436	27,852	–	–
Right-of-use assets	2(d)	5,894	6,195	–	–
Subsidiaries	2(e)	–	–	38,016	38,016
Intangible assets		7,039	7,475	–	–
Deferred tax assets		3,423	3,958	–	–
		<u>46,792</u>	<u>45,480</u>	<u>38,016</u>	<u>38,016</u>
Current assets					
Inventories	2(f)	12,046	14,587	–	–
Contract assets		8,920	7,281	–	–
Trade and other receivables	2(g)	5,191	8,131	3,240	3,931
Prepayments		1,793	1,177	77	17
Current tax recoverable		–	1	–	–
Cash and cash equivalents	2(h)	40,690	36,337	3,313	4,056
		<u>68,640</u>	<u>67,514</u>	<u>6,630</u>	<u>8,004</u>
Total assets		<u>115,432</u>	<u>112,994</u>	<u>44,646</u>	<u>46,020</u>
Current liabilities					
Trade and other payables	2(i)	17,916	16,380	368	419
Contract liabilities		22,861	23,923	–	–
Provisions		4,198	3,923	–	–
Interest bearing loans and borrowings	2(j)	1,226	1,216	–	–
Deferred consideration	2(k)	549	557	–	–
Lease liabilities		139	198	–	–
Current tax payables		312	–	–	–
		<u>47,201</u>	<u>46,197</u>	<u>368</u>	<u>419</u>
Non-current liabilities					
Deferred tax liabilities		268	301	–	–
Interest bearing loans and borrowings	2(j)	1,624	2,310	–	–
Deferred consideration	2(k)	2,166	580	–	–
Lease liabilities		62	121	–	–
		<u>4,120</u>	<u>3,312</u>	<u>–</u>	<u>–</u>
Total liabilities		<u>51,321</u>	<u>49,509</u>	<u>368</u>	<u>419</u>
Capital and reserves					
Share capital	2(l)	43,136	43,136	43,136	43,136
Share-based compensation reserve		381	381	381	381
Foreign currency translation reserve		(2,619)	(554)	–	–
Accumulated profits		23,213	20,522	761	2,084
Total equity		<u>64,111</u>	<u>63,485</u>	<u>44,278</u>	<u>45,601</u>
Total equity and liabilities		<u>115,432</u>	<u>112,994</u>	<u>44,646</u>	<u>46,020</u>

1 (c) Consolidated statement of cash flows (Unaudited)
For the first half year ended 31 December 2022

	Note	Group	
		6-Month period	
		ended 31 December	
		2022	2021
		\$'000	\$'000
Cash flows from operating activities			
Profit/(Loss) after tax		3,614	(694)
Adjustments for:			
Depreciation of property, plant and equipment		2,089	2,379
Depreciation of right-of-use assets		99	197
Amortisation of intangible assets		60	64
Property, plant and equipment written off		68	31
Allowance/(Write-back) for inventories obsolescence, net		220	(11)
Interest income		(62)	(5)
Interest expense		110	115
Tax expense	2(b)	738	12
Unrealised foreign exchange loss		242	46
		<u>7,178</u>	<u>2,134</u>
Changes in:			
- Inventories		1,859	3,529
- Trade and other receivables		1,295	(2,656)
- Prepayments		(666)	(279)
- Contract assets		(2,040)	(1,918)
- Contract liabilities		(199)	2,374
- Trade and other payables		3,771	1,245
- Provisions		439	(270)
Cash generated from operations		<u>11,637</u>	<u>4,159</u>
Net income taxes paid		(38)	(46)
Net cash generated from operating activities		<u>11,599</u>	<u>4,113</u>
Cash flows from investing activities			
Interest received		62	5
Purchase of property, plant and equipment *		<u>(3,952)</u>	<u>(2,994)</u>
Net cash used in investing activities		<u>(3,890)</u>	<u>(2,989)</u>

* Included in additions to plant and machinery (see Note 2(c)) was a purchase of land and building amounting to \$2,640,000 of which \$1,882,000 (30 June 2022: NIL) as partially financed by the seller.

1 (c) Consolidated statement of cash flows (Unaudited) (cont'd)
For the first half year ended 31 December 2022

	Group	
	6-Month period	
	ended 31 December	
	2022	2021
	\$'000	\$'000
Cash flows from financing activities		
Interest paid on loans and borrowings	(103)	(105)
Interest paid on right-of-use assets	(7)	(10)
Dividend paid	(923)	(923)
Repayment of lease liabilities	(65)	(87)
Repayment of interest-bearing loans and borrowings	(642)	(3,731)
Repayment of deferred consideration	(296)	(257)
Proceeds from interest-bearing loans and borrowings	–	4,292
Net cash used in financing activities	<u>(2,036)</u>	<u>(821)</u>
Net increase in cash and cash equivalents	5,673	303
Cash and cash equivalents at beginning of period	36,337	45,213
Effect of exchange rate changes on balances held in foreign currency	(1,320)	(98)
Cash and cash equivalents at end of period	<u>2(h) 40,690</u>	<u>45,418</u>

1 (d) Consolidated statement of changes in equity (Unaudited)
For the first half year ended 31 December 2022

Group	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 July 2022	43,136	381	(554)	20,522	63,485
Total comprehensive income for the period					
Profit for the period	–	–	–	3,614	3,614
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	(2,065)	–	(2,065)
Total other comprehensive income	–	–	(2,065)	–	(2,065)
Total comprehensive income for the period	–	–	(2,065)	3,614	1,549
Transactions with owners, recorded directly in equity					
Dividend payment	–	–	–	(923)	(923)
Total transactions with owners	–	–	–	(923)	(923)
At 31 December 2022	43,136	381	(2,619)	23,213	64,111

1 (d) Consolidated statement of changes in equity (Unaudited)
For first half year ended 31 December 2021

Group	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 July 2021	43,136	381	(76)	17,431	60,872
Total comprehensive income for the period					
Profit for the period	–	–	–	(694)	(694)
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	(57)	–	(57)
Total other comprehensive income	–	–	(57)	–	(57)
Total comprehensive income for the period	–	–	(57)	(694)	(751)
Transactions with owners, recorded directly in equity					
Dividend payment	–	–	–	(923)	(923)
Total transactions with owners	–	–	–	(923)	(923)
At 31 December 2021	43,136	381	(133)	15,814	59,198

2 (a) Profit before tax

The following items have been included in arriving at profit before tax:

Note	Group	
	6-Month period ended 31 December	
	2022 \$'000	2021 \$'000
Wages, salaries and other employee benefits	12,662	12,041
Contributions to defined contribution plans, included in wages, salaries and other employee benefits	855	825
Allowance/(Write-back) for inventories obsolescence, net	220	(11)
Property, plant and equipment written off	68	31
Depreciation of property, plant and equipment	2,089	2,379
Depreciation of right-of-use assets	99	197
Amortisation of intangible assets	60	64
Provision for warranty claims	1,584	778
Auditors' remuneration:		
- auditors of the Company	150	160
Non-audit fees paid to:		
- auditors of the Company	30	9
Short-term lease expenses	55	69
<i>Other non-operating (expenses)/income, net</i>		
Foreign exchange (loss)/gain, net	(187)	27
Interest income from bank	62	5
Government grants	–	296
Sundry income	39	9
Others	9	91
	<u>(77)</u>	<u>428</u>

2 (b) Tax expense

	Group	
	6-Month period ended 31 December	
	2022 \$'000	2021 \$'000
Current tax expense	361	–
Deferred tax expense	377	12
Tax expense	<u>738</u>	<u>12</u>

2 (c) Property, plant and equipment

During the financial year, additions in property, plant and equipment were mainly due to capital expenditure incurred in relation to the purchase of property and equipment coupled with on-going enhancements to overseas facilities as well as development of new products. The new property was partially financed by the seller amounting to \$1,882,000 (30 June 2022: NIL).

2 (d) Right-of-use assets

During the financial year, additions in ROU assets were mainly due to remeasurement adjustment for office lease.

2 (e) Subsidiaries

	Company	
	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000
Unquoted ordinary shares, at cost	21,726	21,726
Unquoted preference shares, at cost	15,222	15,222
Equity investments at cost	36,948	36,948
Amounts due from a subsidiary (non-current)	1,068	1,068
Total	38,016	38,016

The non-current amounts due from a subsidiary of \$1,068,000 (30 June 2022: \$1,068,000) are unsecured and the settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, part of the Company's net investment in the subsidiary, they are stated at cost.

2 (f) Inventories

	Group	
	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000
Raw materials and components	14,744	15,775
Allowance for inventories obsolescence	(3,224)	(3,233)
	11,520	12,542
Completed stock boats at net realisable value	–	1,508
Work-in-progress	526	537
Total	12,046	14,587

In FY2023, changes in raw materials and components, stock boats and work-in-progress included in cost of sales amounted to \$30,946,444 (2022: \$22,532,827).

Usage of raw materials, changes in work-in-progress and changes in finished goods are main components of the cost of sales shown in profit or loss. Cost of sales also includes an allowance for inventories obsolescence which is provided to be consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Stock boats are carried at lower of cost and net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the reporting date. These estimates take into consideration market demand, competition, and selling price and cost directly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year.

2 (g) Trade and other receivables

	Group		Company	
	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000
Trade receivables	5,075	8,020	–	–
Refundable deposits	116	111	–	–
Amounts due from subsidiaries (non-trade)	–	–	3,240	3,931
	5,191	8,131	3,240	3,931

The current outstanding balances with subsidiaries are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances with subsidiaries.

2 (h) Cash and cash equivalents

	Group		Company	
	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000
Cash and bank balances	11,589	9,406	213	55
Short-term deposits	29,101	26,931	3,100	4,001
Cash and cash equivalents in the statement of cash flows	40,690	36,337	3,313	4,056

Cash at banks earns interest at floating rates based on the daily bank deposits rates. Short-term deposits are placed for varying periods of between 5 to 183 days (30 June 2022: 5 to 365 days) and earn interest at rates averaging from 0.7% to 4.60% (30 June 2022: Nil% to 2.46%) per annum.

2 (i) Trade and other payables

	Group		Company	
	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000
Trade payables	3,367	4,383	–	–
Advance from customers	2,768	1,899	–	–
Accrued operating expenses	11,781	10,098	368	419
	17,916	16,380	368	419

2 (j) Interest bearing loans and borrowings

	Group	
	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000
Secured bank loan	2,850	3,526
Represented by:		
- Current	1,226	1,216
- Non-current	1,624	2,310
Total	2,850	3,526

As at 31 December 2022, the Group's subsidiaries have secured bank loan of \$2,850,000 (30 June 2022: \$3,526,000).

- The bank loan denominated in Malaysian Ringgit amounting to \$765,000 (30 June 2022: \$1,288,000) is secured over the leasehold land of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia, which has a carrying amount of \$5,208,000 (30 June 2022: \$5,447,000), while the bank loan denominated in United States dollars amounting to \$1,525,000 (30 June 2022: \$1,587,000) is secured over freehold submerged land of the Group's service yard in Florida, USA which has a carrying amount of \$84,000 (30 June 2022: \$87,000).

Both loans have corporate guarantees provided by the Company to the respective banks. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee provided.

- The outstanding bank loan denominated Malaysia Ringgit amounting to \$153,000 (30 June 2022: \$190,000) is secured over a travel lift located at the Group’s manufacturing yard in Pasir Gudang, Johor, Malaysia, which has a carrying amount of \$30,000 (30 June 2022: \$227,000), while the outstanding bank loan denominated in United States dollars amounting to \$407,000 (30 June 2022: \$461,000) is secured over a travel lift located at the Group’s service yard in Florida, which has a carrying amount of \$459,000 (30 June 2022: \$553,000).

The secured bank loans bear an interest rate ranging from 3.95% to 5.25% (30 June 2022: 3.95% to 5.25%) per annum and are repayable between year 2023 to 2026 (FY2022: 2022 to 2026). Interest rates are repriced within the year.

2 (k) Deferred consideration

	Group	
	As at 31-Dec-22 \$'000	As at 30-Jun-22 \$'000
Secured promissory notes		
- Current	549	557
- Non-current	2,166	580
	<u>2,715</u>	<u>1,137</u>

On 9 May 2018, one of the subsidiaries issued a promissory note to the seller for the acquisition of assets of Stuart Yacht Corporation (“SYC”). The promissory note is denominated in United States dollars and is secured over the shares of SYC. The secured promissory note bears a fixed interest rate of 4% and is repayable between year 2018 to 2024.

On 15 December 2022, one of the subsidiaries acquired land and building in the United States, and this was partially financed by the seller amounting to \$1,882,000 (30 June 2022: NIL). The note is denominated in United States dollars, repayable over a period of 15 years commencing from July 2024 and is secured over the land and building in United States with carrying value of \$2,640,000.

2 (l) Share capital

	As at 31-Dec-2022		As at 30-Jun-2022	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Fully paid:				
Beginning and end of the period/year	184,635	43,136	184,635	43,136

A holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per ordinary share at meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

Capital management

The Group considers capital to be its share capital. The Group’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend pay out to shareholders, buy back or issue new shares to optimise capital structure within the Group. The Group is in a net cash position. Net cash is calculated as cash and cash equivalents less external borrowings, if any.

There were no changes in the Group’s approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

2 (m) Fair values of financial assets and financial liabilities

Fair values of financial assets and financial liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

Group	Note	Amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
31 December 2022					
Trade and other receivables	2(g)	5,191	–	5,191	5,191
Cash and cash equivalents	2(h)	40,690	–	40,690	40,690
		<u>45,881</u>	<u>–</u>	<u>45,881</u>	<u>45,881</u>
Trade and other payables*	2(i)	–	12,365	12,365	12,365
Interest bearing loans and borrowings	2(j)	–	2,850	2,850	2,850
Deferred consideration	2(k)	–	2,715	2,715	2,715
		<u>–</u>	<u>17,930</u>	<u>17,930</u>	<u>17,930</u>
30 June 2022					
Trade and other receivables	2(g)	8,131	–	8,131	8,131
Cash and cash equivalents	2(h)	36,337	–	36,337	36,337
		<u>44,468</u>	<u>–</u>	<u>44,468</u>	<u>44,468</u>
Trade and other payables*	2(i)	–	12,026	12,026	12,026
Interest bearing loans and borrowings	2(j)	–	3,526	3,526	3,526
Deferred consideration	2(k)	–	1,137	1,137	1,137
		<u>–</u>	<u>16,689</u>	<u>16,689</u>	<u>16,689</u>

* Excludes advance from customers and employee benefits.

Interest-bearing loans and borrowings

No fair value is calculated for the floating rate loans as the Group believes that the carrying amounts, which are repriced within the year, reflect their corresponding fair values.

Deferred consideration

The carrying value based on the 4% interest rate from the secured promissory notes represent the market rate. This includes the new land and building acquired during this financial period.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity and where the effect of discounting is immaterial.

Accordingly, no fair value hierarchy information is disclosed for such financial assets and liabilities.

3 Segment information

The Group engages predominantly in the manufacturing and sale of luxury yachts. The Group assessed its operating segment and determined that it has two operating and reporting segments which are the manufacturing & trading segment – comprising manufacturing and sale of yachts to end customers and others (being brokerage income, trade-in sales and service income).

The operating segments contains various functions that are inter-dependent to support the Group's operating activities and performance. Based on the combined activities of these key functions, the Group's CEO, who is the chief operating decision maker (CODM), assesses performance against an approved Group's budget and makes resource allocation decisions that will maximise the utilisation of production capacity and operating efficiency of the operating segments, to achieve the Group's budget.

Reconciliation includes unallocated head office revenue, expenses, assets, liabilities and consolidation adjustments which are not directly attributable to a particular segment.

3. Segment reporting for the first half year ended 31 December

	← Reconciliation →									
	Manufacturing and trading segment		Others		Corporate		Adjustments		Consolidated	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue and expenses										
External revenue	46,805	29,012	3,410	4,756	–	–	–	–	50,215	33,768
Inter-segment revenue	2,586	125	545	–	–	–	(3,131)	(125)	–	–
Total revenue	49,391	29,137	3,955	4,756	–	–	(3,131)	(125)	50,215	33,768
Segment results*	9,428	934	751	1,610	(400)	(351)	(3,131)	(125)	6,648	2,068
Depreciation and amortisation	(2,248)	(2,640)	–	–	–	–	–	–	(2,248)	(2,640)
Interest income	62	5	–	–	–	–	–	–	62	5
Interest expenses	(110)	(115)	–	–	–	–	–	–	(110)	(115)
Operating profit/(loss) before tax	7,132	(1,816)	751	1,610	(400)	(351)	(3,131)	(125)	4,352	(682)
Income tax expense	(738)	(12)	–	–	–	–	–	–	(738)	(12)
Segment profit/(loss)	6,394	(1,828)	751	1,610	(400)	(351)	(3,131)	(125)	3,614	(694)

* Segment results: Earnings before Interest, Taxation, Depreciation and Amortisation

3. Segment reporting for the first half year ended 31 December (cont'd)

	← Reconciliation →									
	Manufacturing and trading segment		Others		Corporate		Adjustments		Consolidated	
	\$'000 2022	\$'000 2021	\$'000 2022	\$'000 2021	\$'000 2022	\$'000 2021	\$'000 2022	\$'000 2021	\$'000 2022	\$'000 2021
<i>Other material non-cash items:</i>										
(Allowance)/Write-back for inventories obsolescence, net	(220)	11	—	—	—	—	—	—	(220)	11
Property, plant and equipment written off	(68)	(31)	—	—	—	—	—	—	(68)	(31)
Provisions for warranty claims	(1,584)	(778)	—	—	—	—	—	—	(1,584)	(778)
Assets and liabilities										
Segment assets	108,619	102,354	—	—	44,646	45,499	(41,256)	(41,473)	112,009	106,380
Tax assets	3,423	2,952	—	—	—	—	—	—	3,423	2,952
Segment liabilities	50,373	48,822	—	—	368	910	—	—	50,741	49,732
Tax liabilities	580	402	—	—	—	—	—	—	580	402
Capital expenditures	5,834	2,994	—	—	—	—	—	—	5,834	2,994

4. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customer is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition.

	Group	
	6-Month period	
	ended 31 December	
	2022	2021
	\$'000	\$'000
Revenue from construction contracts	42,227	28,168
Revenue from brokerage boats	1,838	3,313
Rendering of services	3,293	2,184
Sales of stock boats	2,768	–
Sales of parts	89	103
	<u>50,215</u>	<u>33,768</u>

Timing of revenue recognition

	Group	
	6-Month period	
	ended 31 December	
	2022	2021
	\$'000	\$'000
Transferred at a point in time	7,988	5,600
Transferred over time	42,227	28,168
	<u>50,215</u>	<u>33,768</u>

In the review of performance, the factors leading to any material changes in contribution to turnover and earnings by the business or geographical segments.

Revenue contributed by sales region is shown below:

	Group	
	6-Month period	
	ended 31 December	
	2022	2021
	\$'000	\$'000
USA	27,333	21,131
Europe	3,051	1
Australia	18,393	12,595
Asia	1,438	41
	<u>50,215</u>	<u>33,768</u>

5. Corporate information

Grand Banks Yachts Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 21 Bukit Batok Crescent, #06-74, Wcega Tower, Singapore 658065.

The principal activities of the Company are those of an investment holding company with significant subsidiaries in the business of manufacturing and selling luxury yachts worldwide.

The financial statements of the Group as at and for the six months ended 31 December 2022 comprise the Company and its subsidiaries.

6. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last financial statements for the year ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 10.

The condensed interim financial statements are presented in Singapore dollars which is the Company's functional currency.

7. Audit

The figures have not been audited or reviewed by auditors.

8. Auditors' report

Not applicable.

9. Accounting policies

Other than the adoption of the amendments to SFRS(I)s as mentioned in Note 10 below, there are no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 30 June 2022.

10. Changes in accounting policies

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I) are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to SFRS(I) 1-1 – Conceptual Classification of Liabilities as Current or Non-Current 417;*
- *SFRS(I) 17- Insurance Contracts 418;*
- *Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2- Disclosure of Accounting Policies 419;*
- *Amendments to SFRS(I) 1-8 - Definition of Accounting Estimates 420;*
- *Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single 420 Transaction; and*

- Amendments to SFRS(I) 1-28 and SFRS(I) 10 - Sale or Contribution of Assets between an Investor and its Associate; or Joint Venture.

The adoption of the above amendments to SFRS(I)s is assessed to have no material financial effect on the results and financial position of the Group and of the Company for the period ended 31 December 2022. Accordingly, it has no material impact on the earnings per share of the Group and of the Company.

11. Earnings per ordinary share

	<u>Group</u>	
	6-Month period ended 31 December	
	2022	2021
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)	<u>1.96</u>	<u>(0.38)</u>
- On a fully diluted basis (cents)	<u>1.95</u>	<u>(0.38)</u>

12. Net asset value per ordinary share

	<u>Group</u>		<u>Company</u>	
	As at 31-Dec-22	As at 30-Jun-22	As at 31-Dec-22	As at 30-Jun-22
Net asset value (for the issuer and group) per ordinary share based on issued share capital of the insurer at the end of the:				
(a) Current period reported on; and				
(b) Immediately preceding financial year				
- Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	<u>34.72</u>	<u>34.38</u>	<u>23.98</u>	<u>24.70</u>

Other Information:

13. 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.

Revenue

Revenue for the six-month period ended 31 December 2022 ("1H FY2023") increased 48.7% to \$50.2 million from \$33.8 million for the same period ended 31 December 2021 ("1H FY2022"), primarily due to almost two and half months' suspension of operations in 1H FY2022 at the Group's manufacturing facility in Pasir Gudang, Johor, Malaysia in compliance with Malaysian Government's Movement Control Order ("MCO") to curb the spread of COVID-19 pandemic.

Gross profit

In line with the higher revenue, gross profit for 1H FY2023 increased to \$14.1 million from \$7.5 million in 1H FY2022 which was impacted by the prolonged shutdown of the Malaysia plant due to the pandemic. The higher gross profit margin of 28.1% in 1H FY2023, compared to 22.2% in 1H FY2022, reflects the boat price increases offset by cost increases in the last two years.

Operating expenses

Total operating expenses – including costs relating to boat shows, sales and marketing, as well as salaries and commission expenses – increased to \$9.6 million for 1H FY2023 from \$8.5 million for 1H FY2022, mainly due to higher costs related to payroll and boat shows, including travel and marketing expenses.

Other non-operating expenses in 1H FY2023 arose from foreign exchange losses, while other non-operating income in 1H FY2022 was due to the receipts of pandemic-related Government grants of \$0.3 million and foreign exchange gains. The weakening of the US dollar, Australian dollar and Malaysian Ringgit against Singapore dollar in 1H FY2023 resulted in exchange losses in the period.

Taxation

Tax expenses in 1H FY2023 and 1H FY2022 were due to the profits of certain subsidiary companies in the Group.

Profit

As a result of the above, the Group recorded in 1H FY2023 a net profit before and after tax of \$4.4 million and \$3.6 million respectively, a sharp reversal from the net loss before and after tax of \$0.7 million in 1H FY2022.

The Group incurred translation losses relating to financial statements of foreign subsidiaries of \$2.1 million in 1H FY2023 (1H FY2022: \$0.1 million) arising from the weakening of the US dollar, Australian dollar and Malaysian Ringgit against the Singapore dollar during the period. These, in line with the requirements under SFRS(I), were taken to the Foreign Currency Translation Reserve in the Consolidated statements of financial position and did not affect the current Consolidated income statement.

b) Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Cash Flows

Cash flows generated from operations rose to \$11.6 million for 1H FY2023 from \$4.1 million for 1H FY2022, mainly due to the higher profit in 1H FY2023, a decrease in inventories and receivables, as well as an increase in payables, partially offset by higher contract assets and prepayments. The decrease in inventories was due to the sale of a stock boat as well as a decrease in raw materials. The decrease in receivables was due to the timely receipts from customers. The increase in payables was due to higher customer deposits and accrual of operating expenses. The higher contract assets was due to the timing of billings to customers in accordance with sales contracts. The increase in prepayments was due to the higher down payments made to vendors as operating activities accelerated.

Cash flows used in investing activities amounted to \$3.9 million in 1H FY2023, compared to \$3.0 million in 1H FY2022 due to the purchase of a property and improvement of existing properties in the USA.

Repayments of borrowings resulted in negative cash flows used for financing activities of \$2.0 million in 1H FY2023 and \$0.8 million in 1H FY2022. The Group's borrowings were used to finance part of lease renewal consideration for the Malaysian yard in FY2016, partial financing of its acquisition of the U.S. yard in FY2018 and FY2023 and for the purchase of equipment.

As a result of the above, cash and cash equivalents increased to \$40.7 million as at 31 December 2022 from \$36.3 million as at 30 June 2022. Borrowings increased to \$5.6 million as at 31 December 2022 from \$4.7 million as at 30 June 2022, due largely to the financing of acquisition of the US property.

Review of Financial Position

Non-current assets increased to \$46.8 million as at 31 December 2022, compared to \$45.5 million as at 30 June 2022. Current assets increased to \$68.6 million as at 31 December 2022 from \$67.5 million as at 30 June 2022, mainly due to higher contract assets and cash and cash equivalent.

Total liabilities increased to \$51.3 million as at 31 December 2022 from \$49.5 million as at 30 June 2022, mainly due to higher payables and deferred consideration.

Contract liabilities of \$22.9 million (client deposits and instalment payments) contributed to the cash and cash equivalent of \$40.7 million as at 31 December 2022.

14. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

15. 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 improved performance for 1H FY2023 is a strong testament to the Group's resilience, having overcome almost two and half months of pandemic-related disruptions at its manufacturing facility in Pasir Gudang, Johor, Malaysia in 1H FY2022.

The Group recorded 11 new boat orders in 1H FY2023 compared with 17 in 1H FY2022. On the outlook, given the current geo-political uncertainties, opening up of travel post-pandemic and higher interest costs, the Group anticipates a softening in demand. Net order book stood at \$168.8 million as at 31 December 2022, compared to

\$182.9 million as at 30 June 2022, and will provide a cushion against headwinds such as growing economic uncertainty and higher costs for raw materials and sea freight.

In December 2022, Grand Banks completed the acquisition of 458 SW Salerno Road, a 13,000 square feet (1,208 sqm) property located directly opposite its service yard in Stuart, Florida, USA for US\$1.9 million (\$2.6 million). This will allow the Group to enlarge its footprint in the US, enhance service capabilities and generate new revenue.

16. Dividend

a) Current Financial Period Reported on

Any distribution declared for the current period? No

b) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period? No

17. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

	30-Jun-2023 \$'000	30-Jun-2022 \$'000
Ordinary	–	923
Preference	–	–
Total	–	923

19. 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.

20. 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 first half year ended 31 December 2022 to be false or misleading in any material respect.

21. Report of person occupying managerial positions who are related to a director, chief executive officer or substantial shareholder.

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company wishes to confirm that, to the best of its knowledge, belief and information, none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a director or the chief executive officer or substantial shareholders of the Company.

- 22. 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.

- 23. Confirmation that the issuer has procured undertakings from all 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).

By Order of the Board
GRAND BANKS YACHTS LIMITED

Chiam Heng Huat
Chief Financial Officer
Date: 13 February 2023