

# GRAND BANKS YACHTS LIMITED

(Registration No.: 197601189E)



GRAND BANKS.

## First Quarter Unaudited Financial Statements for the Period Ended 30 September 2015

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   |   |                |
|---|---|---|----------------|
|   | 3-Month<br>Period<br>Ended<br>30-Sep-15<br>\$'000 | 3-Month<br>Period<br>Ended<br>30-Sep-14 (i)<br>\$'000 | Inc/(Dec)<br>% |
| Revenue                                 | 14,046  | 6,517   | 115.5          |
| Cost of sales                           | (10,610)  | (5,898)   | 79.9           |
| <b>Gross Profit</b>                     | <b>3,436</b>                                      | <b>619</b>  | <b>455.1</b>   |
| Selling and marketing expenses          | (712)   | (841)   | (15.3)         |
| Administrative expenses                 | (1,186)   | (938)   | 26.4           |
| Other operating expenses                | (227)   | (364)   | (37.6)         |
| Total operating expenses                | (2,125)   | (2,143)   | (0.8)          |
| <b>Profit/(Loss) from operations</b>    | <b>1,311</b>                                      | <b>(1,524)</b>  | <b>(186.0)</b> |
| Other non-operating income, net         | 702   | 187   | 275.4          |
| <b>Profit/(Loss) before tax</b>         | <b>2,013</b>                                      | <b>(1,337)</b>  | <b>(250.6)</b> |
| Tax (expense)/credit                    | (789)   | 67  | (1,277.6)      |
| <b>Net profit/(loss) for the period</b> | <b>1,224</b>                                      | <b>(1,270)</b>  | <b>(196.4)</b> |
| <b>EBITDA (ii)</b>                      | <b>2,619</b>                                      | <b>(753)</b>  | <b>(447.8)</b> |

(i) Includes contributions from Palm Beach Motor Yacht Co Pty Ltd ("PBM") arising from the acquisition of PBM on 1 August 2014.

(ii) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA").

**Additional information to the income statement:**

|  | <b>Group</b>   |  |
|--|--|--|
|  | <b>3-Month<br/>Period<br/>Ended<br/>30-Sep-15<br/>\$'000</b> | <b>3-Month<br/>Period<br/>Ended<br/>30-Sep-14<br/>30-Sep-14 (i)<br/>\$'000<br/>Inc/(Dec)<br/>%</b> |
| Allowance made for slow-moving materials                       | (33)   | (16) 106.3   |
| Depreciation of property, plant and equipment                  | (519)  | (443) 17.2   |
| Amortisation of intangible assets                              | (101)  | (152) (33.6)   |
| Foreign exchange gain  | 634  | 158 301.3  |
| Fair valuation loss on quoted debt securities held-for-trading | (4)  | (4) --   |
| Interest income included in other non-operating income, net    | 14   | 11 27.3  |
| Property, plant and equipment written off                      | -  | (2) (100.0)  |
| Tax:   |  |  |
| - current tax expense  | (864)  | (12) N.m   |
| - deferred tax credit  | 75   | 79 (5.1)   |

*N.m - Percentage / Computation not meaningful*

(i) Includes contributions from Palm Beach Motor Yacht Co Pty Ltd ("PBMYY") arising from the acquisition of PBMYY on 1 August 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

|  | <b>Group</b>                        |                                     |
|--|-------------------------------------|-------------------------------------|
|  | <b>3-Month<br/>Period<br/>Ended</b> | <b>3-Month<br/>Period<br/>Ended</b> |
|  | <b>30-Sep-15<br/>S'000</b>          | <b>30-Sep-14 (i)<br/>S'000</b>      |
|  |                                     | <b>Inc/(Dec)<br/>%</b>              |
| <b>Net profit/(loss) for the period</b>  | 1,224                               | (1,270) (196.4)                     |
| <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 | (2,085)                             | 240 (968.8)                         |
| <b>Total Comprehensive Income for the period</b>                                     | <u>(861)</u>                        | <u>(1,030)</u> (16.4)               |

(i) Includes contributions from Palm Beach Motor Yacht Co Pty Ltd ("PBMV") arising from the acquisition of PBMV on 1 August 2014.

**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>30-Sep-15</b> | <b>30-Jun-15</b> | <b>30-Sep-15</b> | <b>30-Jun-15</b> |
|                                      | <b>\$'000</b>    | <b>\$'000</b>    | <b>\$'000</b>    | <b>\$'000</b>    |
| <b>Non-current assets</b>            |                  |                  |                  |                  |
| Property, plant and equipment        | 11,016           | 10,966           | –                | –                |
| Subsidiaries                         | –                | –                | 29,609           | 29,609           |
| Goodwill                             | 6,721            | 6,930            | –                | –                |
| Intangible assets                    | 2,053            | 2,153            | –                | –                |
| Deferred tax assets                  | 298              | 307              | –                | –                |
|                                      | <u>20,088</u>    | <u>20,356</u>    | <u>29,609</u>    | <u>29,609</u>    |
| <b>Current assets</b>                |                  |                  |                  |                  |
| Inventories                          | 18,486           | 17,887           | –                | –                |
| Trade and other receivables          | 3,620            | 307              | 10,848           | 10,892           |
| Prepayments                          | 1,876            | 1,686            | 21               | 7                |
| Current tax recoverable              | 1                | –                | –                | –                |
| Investment held-for-trading          | 306              | 310              | 306              | 310              |
| Cash and cash equivalents            | 23,161           | 21,701           | 4,941            | 5,089            |
|                                      | <u>47,450</u>    | <u>41,891</u>    | <u>16,116</u>    | <u>16,298</u>    |
| <b>Total assets</b>                  | <u>67,538</u>    | <u>62,247</u>    | <u>45,725</u>    | <u>45,907</u>    |
| <b>Current liabilities</b>           |                  |                  |                  |                  |
| Trade and other payables (i)         | 19,736           | 14,323           | 4,397            | 4,423            |
| Hire purchase payable                | 24               | 27               | –                | –                |
| Provision for warranty claims        | 1,233            | 1,295            | –                | –                |
| Current tax payables                 | 1,037            | 193              | –                | –                |
|                                      | <u>22,030</u>    | <u>15,838</u>    | <u>4,397</u>     | <u>4,423</u>     |
| <b>Non-current liabilities</b>       |                  |                  |                  |                  |
| Deferred tax liabilities             | 1,530            | 1,606            | –                | –                |
| <b>Total liabilities</b>             | <u>23,560</u>    | <u>17,444</u>    | <u>4,397</u>     | <u>4,423</u>     |
| <b>Capital and reserves</b>          |                  |                  |                  |                  |
| Share capital                        | 42,999           | 42,999           | 42,999           | 42,999           |
| Share-based compensation reserve     | 226              | 190              | 226              | 190              |
| Accumulated profits/(losses)         | 28,121           | 26,897           | (1,897)          | (1,705)          |
| Foreign currency translation reserve | (27,368)         | (25,283)         | –                | –                |
| <b>Total equity</b>                  | <u>43,978</u>    | <u>44,803</u>    | <u>41,328</u>    | <u>41,484</u>    |
| <b>Total equity and liabilities</b>  | <u>67,538</u>    | <u>62,247</u>    | <u>45,725</u>    | <u>45,907</u>    |

- (i) In connection with the PBMY acquisition, payables include an accrued amount of S\$4.01 million (30 June 2015: S\$4.1 million) for the earn-out payment as PBMY's combined net profits before tax for the years ended 30 June 2014 and 30 June 2015 exceeded the required threshold of A\$2.64 million.

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

Not applicable.

**Detail of any collateral**

Not applicable.

- 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  |  |
|--|--|--|
|  | 3-Month<br>Period<br>Ended<br>30-Sep-15<br>S'000 | 3-Month<br>Period<br>Ended<br>30-Sep-14<br>S'000 (i) |
| <b>Operating activities</b>  |  |  |
| Profit(Loss) after taxation  | 1,224  | (1,270)  |
| <i>Adjustments for:-</i>   |  |  |
| Depreciation of property, plant and equipment  | 519  | 443  |
| Amortisation of intangible assets  | 101  | 152  |
| Property, plant and equipment written off  | -  | 2  |
| Interest income  | (14)   | (11)   |
| Provision for warranty claims  | 234  | 180  |
| Fair valuation loss on quoted debt securities held-for-trading   | 4  | 4  |
| Equity-settled share based expense   | 36   | -  |
| Tax expense/(credit)   | 789  | (67)   |
| Unrealised foreign exchange gain   | (855)  | -  |
|  | <u>2,038</u>                                     | <u>(567)</u>   |
| <i>Changes in working capital:</i>   |  |  |
| Increase in inventories  | (2,289)  | (1,279)  |
| (Increase)/Decrease in trade and other receivables   | (3,586)  | 1,325  |
| Increase in prepayments  | (342)  | (238)  |
| Increase/(Decrease) in trade and other payables  | 5,793  | (2,133)  |
| Net cash from/(used in) operations   | <u>1,614</u>                                     | <u>(2,892)</u>                                       |
| Net income tax paid  | (16)   | (9)  |
| Warranty claims paid   | (177)  | (351)  |
| <b>Cash flows from/(used in) operating activities</b>  | <u>1,421</u>                                     | <u>(3,252)</u>                                       |
| <b>Investing activities</b>  |  |  |
| Interest received  | 5  | 21   |
| Acquisition of a subsidiary (ii)   | -  | (3,434)  |
| Purchase of property, plant and equipment  | (1,369)  | (1,018)  |
| Restricted cash (iii)  | -  | (4,800)  |
| <b>Cash flows used in investing activities</b>   | <u>(1,364)</u>                                   | <u>(9,231)</u>                                       |
| <b>Financing activities</b>  |  |  |
| Receipt of unclaimed dividends   | -  | 3  |
| Repayment of hire purchase liability   | (1)  | (1)  |
| Repayment of loan (iv)   | -  | (1,756)  |
| Deposits pledged   | -  | (762)  |
| <b>Cash flows used in financing activities</b>   | <u>(1)</u>                                       | <u>(2,516)</u>                                       |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  | 56   | (14,999)   |
| Cash and cash equivalents at beginning of period   | 16,754   | 25,678   |
| Effect of exchange rate changes on balances held in foreign currency   | 909  | 53   |
| <b>Cash and cash equivalents at end of period (v)</b>  | <u>17,719</u>                                    | <u>10,732</u>  |
| (i) Includes contributions from Palm Beach Motor Yacht Co Pty Ltd ("PBMV") arising from the acquisition of PBMV on 1 August 2014.  |  |  |
| (ii) Represents the first cash payment made for the acquisition of PBMV less PBMV's cash balance as at 1 August 2014.  |  |  |
| (iii) Amounts placed in escrow for the potential earn-out payment if PBMV's combined net profits before tax for the years ended 30 June 2014 and 30 June 2015 are equal to or more than AUD2.64 million. |  |  |
| (iv) As part of the acquisition, the Group repaid A\$1.5 million for a loan made to PBMV.  |  |  |
| (v) Cash and cash equivalents per statement of cash flows (S\$'000)  | <u>17,719</u>                                    | <u>10,732</u>  |
| Restricted cash (S\$'000)  | 4,800  | 4,800  |
| Deposits pledged (S\$'000)   | 132  | 1,701  |
| Deposits received on behalf of third parties (S\$'000)   | 510  | -  |
| Cash and cash equivalents per the statements of financial position (S\$'000)   | <u>23,161</u>                                    | <u>17,233</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

| Group  | Share capital<br>\$'000 | Share-based compensation reserve<br>\$'000 | Foreign currency translation reserve<br>\$'000 | Accumulated profits<br>\$'000 | Total<br>\$'000 |
|--|-------------------------|--|--|-------------------------------|-----------------|
| At 1-Jul-2014  | 41,251                  | 142  | (22,121)                                       | 31,693                        | 50,965          |
| <b>Total comprehensive income for the period</b>                                 |                         |  |  |                               |                 |
| Loss for the period  | -                       | -  | -  | (1,270)                       | (1,270)         |
| <i>Other comprehensive income</i>  |                         |  |  |                               |                 |
| Translation differences relating to financial statements of foreign subsidiaries | -                       | -  | 240  | -                             | 240             |
| Total other comprehensive income   | -                       | -  | 240  | -                             | 240             |
| <b>Total comprehensive income for the period</b>                                 | -                       | -  | 240  | (1,270)                       | (1,030)         |
| <b>Transactions with owners, recorded directly in equity</b>                     |                         |  |  |                               |                 |
| Issue of new shares (i)  | 1,748                   | -  | -  | -                             | 1,748           |
| Equity-settled performance shares  | -                       | -  | -  | -                             | -               |
| Receipt of unclaimed dividends   | -                       | -  | -  | 3                             | 3               |
| At 30-Sep-2014   | 42,999                  | 142  | (21,881)                                       | 30,426                        | 51,686          |
| At 1-Jul-2015  | 42,999                  | 190  | (25,283)                                       | 26,897                        | 44,803          |
| <b>Total comprehensive income for the period</b>                                 |                         |  |  |                               |                 |
| Profit for the period  | -                       | -  | -  | 1,224                         | 1,224           |
| <i>Other comprehensive income</i>  |                         |  |  |                               |                 |
| Translation differences relating to financial statements of foreign subsidiaries | -                       | -  | (2,085)  | -                             | (2,085)         |
| Total other comprehensive income   | -                       | -  | (2,085)  | -                             | (2,085)         |
| <b>Total comprehensive income for the period</b>                                 | -                       | -  | (2,085)  | 1,224                         | (861)           |
| <b>Transactions with owners, recorded directly in equity</b>                     |                         |  |  |                               |                 |
| Equity-settled performance shares  | -                       | 36   | -  | -                             | 36              |
| At 30-Sep-2015   | 42,999                  | 226  | (27,368)                                       | 28,121                        | 43,978          |
| <b>Company</b>   |                         |  |  |                               |                 |
| At 1-Jul-2014  | 41,251                  | 142  | (455)  |                               | 40,938          |
| <b>Total comprehensive income for the period</b>                                 |                         |  |  |                               |                 |
| Loss for the period  | -                       | -  | (348)  |                               | (348)           |
| <b>Total comprehensive income for the period</b>                                 | -                       | -  | (348)  |                               | (348)           |
| <b>Transactions with owners, recorded directly in equity</b>                     |                         |  |  |                               |                 |
| Issue of new shares (i)  | 1,748                   | -  | -  |                               | 1,748           |
| Receipt of unclaimed dividends   | -                       | -  | 3  |                               | 3               |
| At 30-Sep-2014   | 42,999                  | 142  | (800)  |                               | 42,341          |
| At 1-Jul-2015  | 42,999                  | 190  | (1,705)  |                               | 41,484          |
| <b>Total comprehensive income for the period</b>                                 |                         |  |  |                               |                 |
| Loss for the period  | -                       | -  | (192)  |                               | (192)           |
| <b>Total comprehensive income for the period</b>                                 | -                       | -  | (192)  |                               | (192)           |
| <b>Transactions with owners, recorded directly in equity</b>                     |                         |  |  |                               |                 |
| Equity-settled performance shares  | -                       | 36   | -  |                               | 36              |
| At 30-Sep-2015   | 42,999                  | 226  | (1,897)  |                               | 41,328          |

- (i) Represents the estimated fair value of the shares paid in connection with the acquisition of PBMV in accordance with FRS 103 *Business Combinations*.

- 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 30 September 2015 (30 September 2014: 11,025,400 ordinary shares were issued as part of the consideration paid in connection with the acquisition of PBMV).

There were 200,000 Share Awards pursuant to the Grand Banks Performance Share Plan 2014 ("PSP") and 3,450,000 Share Options pursuant to the Grand Banks Employee Share Option Scheme 2014 ("ESOS") as at 30 September 2015 (30 September 2014: Nil Share Awards, Nil Share Options). The share awards and options awarded do not vest until March 2017. Both the PSP and the ESOS were approved by shareholders on 8 October 2014.

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 30 September 2015 and 30 June 2015. The Company's share capital consists of 184,034,649 ordinary shares as at 30 September 2015 (30 September 2014: 184,034,649 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.**

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 2015.

- 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.**

The adoption of the new/amended FRS which became effective from 1 July 2015 does not have any significant impact on the financial statements.

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.

|   | 3-Month<br>Period<br>Ended<br>30-Sep-15 | 3-Month<br>Period<br>Ended<br>30-Sep-14 (i) |
|---|---|---|
| Earnings/(Loss) per ordinary share for the financial period based on net loss attributable to shareholders: - | 0.66                                    | (0.70)                                      |
| - on weighted average number of ordinary shares in issue (cents)  | 0.66                                    | (0.70)                                      |
| - on a fully diluted basis (cents)  | 0.66                                    | (0.70)                                      |

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.

|  | Group       | Company    |
|--|-------------|------------|
|  | Sep-15 (ii) | Jun-15 (i) |
|  | Sep-15      | Jun-15     |
| Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents) | 23.90       | 24.34      |
|  | 22.46       | 22.54      |

(i) Includes contributions from Palm Beach Motor Yacht Co Pty Ltd ("PBMV") arising from the acquisition of PBMV on 1 August 2014.

(ii) The decline in net asset value per ordinary share as at 30 September 2015 from 30 June 2015 is due to net currency translation loss of financial statements of foreign subsidiaries for 1Q FY2016.



**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 30 September 2015 ("1Q FY2016") grew 115.5% to S\$14.0 million from S\$6.5 million for the quarter ended 30 September 2014 ("1Q FY2015") following the completion of the Group's restructuring efforts and the progressive recognition of the accumulated net order book – which included revenue contribution from the first two Palm Beach yachts being built in Malaysia.

Gross profit increased to S\$3.4 million in 1Q FY2016, up from S\$0.6 million in 1Q FY2015 in line with the higher revenue, the impact of the initiatives to integrate design, production and marketing processes across both the Grand Banks and Palm Beach brands, and the strengthening of the U.S. dollar – the transactional currency for more than half of the Group's boat sales – against the Australian dollar and Malaysian ringgit. Similarly, gross margin increased to 24.5% from 9.5% over the comparative periods.

Operating expenses, which include boat show, advertising and marketing expenses as well as salaries and professional fees, stood at S\$2.1 million for 1Q FY2016, similar to 1Q FY2015. Selling and marketing expenses decreased to S\$0.7 million for 1Q FY2016 from S\$0.8 million in 1Q FY2015 in the absence of restructuring costs. Administrative expenses increased to S\$1.2 million for 1Q FY2016 from S\$0.9 million a year ago due to higher salaries. Other operating expenses decreased to S\$0.2 million for 1Q FY2016 from S\$0.4 million for 1Q FY2015 in the absence of professional fees relating to the PBM MY acquisition. Other non-operating income increased to S\$0.7 million in 1Q FY2016 from S\$0.2 million in 1Q FY2015, primarily due to foreign exchange gains.

The higher revenue, gross profit and gross margin are a result of a series of strategic decisions following the completion of the acquisition of Palm Beach Motor Yacht Co Pty Ltd ("PBM MY") on 1 August 2014, which include:

- (i) Investments in new boat building equipment in Malaysia that has raised the overall product quality and improved efficiency of the facility;
- (ii) Investments in training personnel, to further raise the skill sets of the Malaysian workforce and align production processes with those of PBM MY in Australia;
- (iii) Migration of production of certain Palm Beach models from Australia to Pasir Gudang, Malaysia which have begun revenue contribution; and
- (iv) Reorganization of the Malaysian factory that has improved efficiency, communication and lowered costs.

The tax expense in 1Q FY2016 represents a tax provision for profitable subsidiaries.

As a result of the above, the Group recorded a net profit of S\$1.2 million in 1Q FY2016, compared to the loss of S\$1.3 million in 1Q FY2015.

**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 recorded positive operating cash flows of S\$1.4 million for 1Q FY2016, compared to operating cash flows used in 1Q FY2015 of S\$3.3 million, primarily due to the net profit for the quarter and lower working capital from higher payables, partially offset by higher inventory and receivables. The new orders secured in recent months led to more customer deposits and more purchases placed with vendors, which in turn led to increased payables. The increase in inventory was due to the completion of two inventory yachts for boat shows in the U.S., offset by the sale of another inventory yacht. The increase in receivables was due to the completion of a yacht at the end of September 2015, for which payment was received in early October 2015.

Cash flows used in investing activities totaled S\$1.4 million for 1Q FY2016, due to the development of new Grand Banks and Palm Beach yacht models which have already generated new orders as at 30 September 2015. In comparison, cash flows used in investing activities in 1Q FY2015 were substantially higher at S\$9.2 million principally due to the acquisition of PBM MY completed on 1 August 2014.

As a result of the above, cash and cash equivalents rose to S\$23.2 million as at 30 September 2015 from S\$21.7 million as at 30 June 2015. The cash and cash equivalents as at 30 September 2015 include restricted cash of S\$4.8 million in relation to the earn-out payment of PBM MY and deposits pledged of S\$0.1 million.

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

In line with the earlier guidance that the Group's financial performance will improve significantly in FY2016, the Group reported a net profit in 1Q FY2016.

**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.**

Following the completion of the acquisition of PBMV on 1 August 2014, the Group commenced the integration of operations for both organizations to address sales, marketing, manufacturing, financial reporting, and personnel under a unified structure. The bulk of the restructuring and integration were completed in FY2015, allowing the Group to reverse its losses and record a net profit for the quarter under review.

The Group's boat-building capacity – with facilities at full capacity in Australia and improving utilization rate in Malaysia – has now been aligned across both brands and locations. The Malaysian facility is now able to fulfil excess Palm Beach orders; the first Malaysian-built Palm Beach boat is expected to be completed in 2Q FY2016. The completion of the first Palm Beach yacht as well as five additional Palm Beach yachts later in the financial year should help with improved margin efficiency in FY2016 compared to FY2015.

The Group has leveraged on the expertise and resources of both its brands to design new products, which are now being built at the Malaysian factory. These include the Grand Banks 60, a line of better-performing yachts with a fresh appearance that has received strong buyers' interest, as well as the Grand Banks 44 Eastbay and Palm Beach 42. The Group has received six orders for the new designs, with the first GB60 scheduled for completion in the fourth quarter of FY2016.

The Group has transitioned to a factory-direct sales model in North America, which has not only delivered a better overall customer experience but also significantly lowered the overall costs of distribution. The leading members of the Group's full-time sales team each have more than 25 years of industry experience and significant expertise with the Grand Banks brand. The Group is confident that its revitalized sales team will represent the Group well in boat shows in the U.S. in the coming months.

During 1Q FY2016, the Group participated in boat shows in Newport and Norwalk, U.S, where its boats received positive receptions. It will continue to scale up marketing efforts to promote its brands, as exhibited at the recently completed Annapolis boat show, and will be participating in the Fort Lauderdale International Boat Show – the world's largest boat show – in November 2015. The Group received five new boat orders in 1Q FY2016, and its aggregate net order book stands at S\$32.1 million as at 30 September 2015, compared to S\$17.5 million a year ago.

Continued strengthening of the U.S. currency against the Australian dollar and the Malaysian ringgit – currencies of the countries where the Group's production facilities are located – are expected to contribute to better financial performance for the Group.

The acquisition included an earn-out model under which PBMV had to achieve combined net profits before tax equal to or more than AUD2.64 million for FY2014 and FY2015 ("target profits"). As the target profits have been met, the second tranche and final payment of AUD4.0 million has been made in October 2015.

The Group now has a stronger foundation for growth, having improved its design production processes, aligned the utilization rates of both factories, revamped its sales and distribution model, and introduced new boat models. In view of the above factors, the Board of Directors expects the Group's FY2016 performance to improve significantly compared to FY2015. The Group will continue to develop new boat designs, extend its marketing efforts and streamline Group-wide internal efficiencies with a view to enhancing shareholder value.

**11. Dividend**

**a) Current Financial Period Reported on 30 September 2015  
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.

In the Circular to Shareholders dated 30 June 2014, the Group disclosed that Palm Beach Motor Yachts (PBM Y), the acquisition of which was approved by shareholders on 15 July 2014 and subsequently closed on 1 August 2014, leased its manufacturing facility from an entity controlled by Mr. Mark Jonathon Richards, the Group's new CEO who was appointed on 1 August 2014. For the period from 1 July 2015 through 30 September 2015, the rental amount paid by PBM Y for use of the manufacturing facility in Berkeley Vale amounted to approximately S\$60,000. 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 first quarter ended 30 September 2015 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**

Peter Kevin Poli  
Executive Director  
27 October 2015