

GRAND BANKS YACHTS LIMITED

(Registration No.: 197601189E)



GRAND BANKS

Second Quarter Unaudited Financial Statements for the Period Ended 31 December 2018

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-Dec-18 S'000	3-Month Period Ended 31-Dec-17 S'000 <i>Restated</i>	Inc / (Dec) %	6-Month Period Ended 31-Dec-18 S'000	6-Month Period Ended 31-Dec-17 S'000 <i>Restated</i>	Inc/(Dec) %
Revenue	17,296	19,883	(13.0)	38,906	44,073	(11.7)
Cost of sales	(12,873)	(14,815)	(13.1)	(28,911)	(34,335)	(15.8)
Gross Profit	4,423	5,068	(12.7)	9,995	9,738	2.6
Selling and marketing expenses	(2,582)	(2,900)	(11.0)	(5,053)	(5,092)	(0.8)
Administrative expenses	(1,209)	(1,144)	5.7	(2,411)	(2,199)	9.6
Other operating expenses	(144)	(143)	0.7	(386)	(279)	38.4
Total operating expenses	(3,935)	(4,187)	(6.0)	(7,850)	(7,570)	3.7
Profit from operations	488	881	(44.6)	2,145	2,168	(1.1)
Other non-operating (expense)/income, net	(131)	141	N.m	(434)	131	N.m
Finance costs	(89)	(35)	154.3	(155)	(83)	86.7
Profit before tax	268	987	(72.8)	1,556	2,216	(29.8)
Tax (expense)/credit	(184)	1	N.m	(326)	47	N.m
Net profit for the period	84	988	(91.5)	1,230	2,263	(45.6)

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-Dec-18 \$'000	3-Month Period Ended 31-Dec-17 \$'000	Inc/(Dec) %	6-Month Period Ended 31-Dec-18 \$'000	6-Month Period Ended 31-Dec-17 \$'000	Inc/(Dec) %
Reversal/(Allowance) of inventory obsolescence	33	(68)	N.m	3	(97)	N.m
Depreciation of property, plant and equipment	(840)	(843)	(0.4)	(1,602)	(1,653)	(3.1)
Amortisation of intangible assets	(32)	(33)	(3.0)	(64)	(68)	(5.9)
Foreign exchange (loss)/gain, net	(151)	92	N.m	(481)	52	N.m
Interest income included in other non-operating income	4	12	(66.7)	9	17	(47.1)
Interest expense included in finance costs	89	35	154.3	155	83	86.7
Property, plant and equipment written off	(81)	(54)	50.0	(111)	(54)	105.6
Tax:						
- current tax expense	(237)	(56)	N.m	(434)	(69)	N.m
- deferred tax credit	53	57	N.m	108	116	N.m

N.m - Percentage / Computation not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group			Group		
	3-Month Period Ended 31-Dec-18 \$'000	3-Month Period Ended 31-Dec-17 \$'000 <i>Restated</i>	Inc/(Dec) %	6-Month Period Ended 31-Dec-18 \$'000	6-Month Period Ended 31-Dec-17 \$'000 <i>Restated</i>	Inc/(Dec) %
Net profit for the period	84	988	(91.5)	1,230	2,263	(45.6)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Net currency translation differences of financial statements of foreign subsidiaries	(271)	386	N.m	(1,098)	503	N.m
Total Comprehensive Income for the period	<u>(187)</u>	<u>1,374</u>	N.m	<u>132</u>	<u>2,766</u>	(95.2)

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

	Group		Company	
	31-Dec-18	30-Jun-18	31-Dec-18	30-Jun-18
	\$'000	\$'000	\$'000	\$'000
Non-current assets		<i>Restated</i>		
Property, plant and equipment	31,284	29,957	–	–
Subsidiaries	–	–	38,016	38,016
Goodwill	6,460	6,757	–	–
Intangible assets	1,478	1,619	–	–
Deferred tax assets	4,551	5,024	–	–
	<u>43,773</u>	<u>43,357</u>	<u>38,016</u>	<u>38,016</u>
Current assets				
Inventories	31,808	20,886	–	–
Contract assets	3,555	2,946	–	–
Trade and other receivables	1,113	5,777	4,480	5,983
Prepayments	1,387	1,254	51	20
Cash and cash equivalents	13,277	8,437	31	73
	<u>51,140</u>	<u>39,300</u>	<u>4,562</u>	<u>6,076</u>
Total assets	<u>94,913</u>	<u>82,657</u>	<u>42,578</u>	<u>44,092</u>
Current liabilities				
Contract liabilities	3,136	6,386	–	–
Trade and other payables	17,123	11,210	354	412
Provision for warranty claims	1,769	2,070	–	–
Interest bearing loans and borrowings (i)	1,759	433	–	–
Deferred consideration (i)	494	465	–	–
Current tax payables	34	212	–	–
	<u>24,315</u>	<u>20,776</u>	<u>354</u>	<u>412</u>
Non-current liabilities				
Deferred tax liabilities	521	669	–	–
Interest bearing loans and borrowings (i)	11,945	2,037	–	–
Deferred consideration (i)	2,369	2,628	–	–
	<u>14,835</u>	<u>5,334</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>39,150</u>	<u>26,110</u>	<u>354</u>	<u>412</u>
Capital and reserves				
Share capital	43,045	43,045	43,045	43,045
Share-based compensation reserve	375	370	375	370
Accumulated profits/(losses)	12,099	11,790	(1,196)	265
Foreign currency translation reserve	244	1,342	–	–
Total equity	<u>55,763</u>	<u>56,547</u>	<u>42,224</u>	<u>43,680</u>
Total equity and liabilities	<u>94,913</u>	<u>82,657</u>	<u>42,578</u>	<u>44,092</u>

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

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

	31-Dec-2018	30-Jun-2018
	\$'000	\$'000
Interest bearing loans and borrowings - short-term	1,759	433
Deferred consideration - short-term	494	465
Interest bearing loans and borrowings - long-term	11,945	2,037
Deferred consideration - long-term	2,369	2,628
	<u>16,567</u>	<u>5,563</u>

Group's borrowings as at 31 Dec 2018 were S\$16.6 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-Dec-18 S'000	3-Month Period Ended 31-Dec-17 S'000 <i>Restated</i>	6-Month Period Ended 31-Dec-18 S'000	6-Month Period Ended 31-Dec-17 S'000 <i>Restated</i>
Operating activities				
Profit after taxation	84	988	1,230	2,263
<i>Adjustments for:-</i>				
Depreciation of property, plant and equipment	840	843	1,602	1,653
Amortisation of intangible assets	32	33	64	68
Property, plant and equipment written off	81	54	111	54
(Reversal)/Allowance made for slow moving materials	(33)	68	(3)	97
Interest income	(4)	(12)	(9)	(17)
Interest expense	89	35	155	83
Provision for warranty claims	537	463	839	865
Equity-settled share based expense	2	2	5	5
Tax expense/(credit)	184	(1)	326	(47)
Unrealised foreign exchange loss	94	132	363	237
	<u>1,906</u>	<u>2,605</u>	<u>4,683</u>	<u>5,261</u>
<i>Changes in working capital:</i>				
Increase in inventories	(6,819)	(5,269)	(11,419)	(5,348)
Decrease/(Increase) in contract assets	1,836	3,264	(712)	(1,319)
Decrease/(Increase) in trade and other receivables	2,196	(234)	4,720	(452)
Decrease/(Increase) in prepayments	137	27	(159)	(175)
Increase/(Decrease) in contract liabilities	106	(3,193)	(3,583)	(4,104)
Increase/(Decrease) in trade and other payables	6,145	3,155	6,912	4,689
Net cash from operations	<u>5,507</u>	<u>355</u>	<u>442</u>	<u>(1,448)</u>
Net income tax paid	(137)	(48)	(294)	(63)
Warranty claims paid	(655)	(170)	(1,091)	(269)
Cash flows from/(used in) operating activities	<u>4,715</u>	<u>137</u>	<u>(943)</u>	<u>(1,780)</u>
Investing activities				
Interest received	4	13	9	17
Purchase of property, plant and equipment	(2,139)	(1,658)	(4,018)	(3,306)
Cash flows used in investing activities	<u>(2,135)</u>	<u>(1,645)</u>	<u>(4,009)</u>	<u>(3,289)</u>
Financing activities				
Interest paid	(81)	(34)	(147)	(80)
Dividend Paid	(921)	-	(921)	-
Repayment of interest bearing loans and borrowings (i)	(254)	(119)	(470)	(209)
Proceeds from interest bearing loans and borrowings	9,865	-	11,010	-
Cash flows from/(used in) financing activities	<u>8,609</u>	<u>(153)</u>	<u>9,472</u>	<u>(289)</u>
Net decrease in cash and cash equivalents	11,189	(1,661)	4,520	(5,358)
Cash and cash equivalents at beginning of period	1,522	11,870	8,305	15,741
Effect of exchange rate changes on balances held in foreign currency	437	(344)	323	(518)
Cash and cash equivalents at end of period (ii)	<u>13,148</u>	<u>9,865</u>	<u>13,148</u>	<u>9,865</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 and the partial financing of the acquisition of Stuart Yacht Corporation.

	<u>31-Dec-18</u>	<u>31-Dec-17</u>
(ii) Cash and cash equivalents per statement of cash flows (S\$'000)	13,148	9,865
Deposits pledged (S\$'000)	129	134
Cash and cash equivalents per the statements of financial position (S\$'000)	<u>13,277</u>	<u>9,999</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 \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits/(loss) \$'000	Total \$'000
Group - Restated					
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
Total comprehensive income for the period					
Profit for the period	-	-	-	2,263	2,263
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	-	-	503	-	503
Total other comprehensive income	-	-	503	-	503
Total comprehensive income for the period	-	-	503	2,263	2,766
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	5	-	-	5
At 31-Dec-2017	43,045	364	503	4,730	48,642
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
Total comprehensive income for the period					
Profit for the period	-	-	-	1,230	1,230
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	-	-	(1,098)	-	(1,098)
Total other comprehensive income	-	-	(1,098)	-	(1,098)
Total comprehensive income for the period	-	-	(1,098)	1,230	132
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	5	-	-	5
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-Dec-2018	43,045	375	244	12,099	55,763
Company					
At 1-Jul-2017	43,045	359	(986)		42,418
Total comprehensive income for the period					
Profit for the period	-	-	691		691
Total comprehensive income for the period	-	-	691		691
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	5	-		5
At 31-Dec-2017	43,045	364	(295)		43,114
At 1-Jul-2018	43,045	370	265		43,680
Total comprehensive income for the period					
Profit for the period	-	-	(540)		(540)
Total comprehensive income for the period	-	-	(540)		(540)
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	5	-		5
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-Dec-2018	43,045	375	(1,196)		42,224

- 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 December 2018 (31 December 2017: No change).

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 December 2018 and 30 June 2018. The Company's share capital consists of 184,234,649 ordinary shares as at 31 December 2018 (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.

	Group		
	30 Jun 2018		
	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 expediency with regard 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 December 2018:

	Group (Second Quarter FY2018)				Group (First Half FY2018)			
	3 months ended 31 Dec 2017				6 months ended 31 Dec 2017			
	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	20,347	(464)	-	19,883	41,665	2,408	-	44,073
Cost of sales	(16,475)	775	885	(14,815)	(34,127)	(1,441)	1,233	(34,335)
Gross profit	3,872	311	-	5,068	7,538	967	-	9,738
Selling & marketing expenses	(2,015)	-	(885)	(2,900)	(3,859)	-	(1,233)	(5,092)
Net profit after tax	677	311	-	988	1,296	967	-	2,263
Other comprehensive income	386	-	-	386	503	-	-	503
Total comprehensive income	1,063	311	-	1,374	1,799	967	-	2,766

(*) 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:

	Group			
	30 Jun 2018			
	As previously reported S\$'000	Adoption of SFRS(I) 1 S\$'000	Adoption of SFRS(I) 15 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	6,386
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 December 2017

	Group (Second Quarter FY2018)			Group (First Half FY2018)		
	3 months ended 31 Dec 2017			6 months ended 31 Dec 2017		
	As previously reported	Adoption of SFRS(I) 15	As restated	As previously reported	Adoption of SFRS(I) 15	As restated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities						
Profit after taxation	677	311	988	1,296	967	2,263
Increase in inventories	(2,227)	(3,042)	(5,269)	(4,522)	(826)	(5,348)
Increase/(decrease) in contract assets	-	3,264	3,264	-	(1,319)	(1,319)
Increase in contract liabilities	-	(3,193)	(3,193)	-	(4,104)	(4,104)

Earnings per share

	Group (Second Quarter FY2018)		Group (First Half FY2018)	
	As previously reported	As restated	As previously reported	As restated
	3 months ended 31 Dec 2017	3 months ended 31 Dec 2017	6 months ended 31 Dec 2017	6 months ended 31 Dec 2017
	(Q2 FY2018)	(Q2 FY2018)	(1H FY2018)	(1H FY2018)
Earnings per share (in cents S\$)				
(a) Based on weighted average number of ordinary shares on issue	0.37	0.54	0.70	1.23
(b) On a fully diluted basis	0.37	0.53	0.70	1.22

Net tangible assets

	Group (31 December 2017)	
	As previously reported 31 Dec 2017	As restated 31 Dec 2017
Net asset value per ordinary share (in cents S\$)	25.52	26.05

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 Period Ended 31-Dec-18	3-Month Period Ended 31-Dec-17 <i>Restated</i>	6-Month Period Ended 31-Dec-18	6-Month Period Ended 31-Dec-17 <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)	0.05	0.54	0.67	1.23
- on a fully diluted basis (cents)	0.05	0.53	0.66	1.22

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	
	Dec-18	Jun-18 <i>Restated</i>	Dec-18	Jun-18
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	30.27	30.69	22.92	23.71

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 December 2018 ("2Q FY2019") decreased 13.0% to S\$17.3 million from S\$19.9 million for the quarter ended 31 December 2017 ("2Q FY2018"). This was primarily due to boats in production reaching maturity and fewer trade-in boat sales; with two stock boat sales in 2Q FY2019 compared to 2Q FY2018, during which the Group recorded two stock boats sales and one trade-in sale.

In line with the lower revenue, gross profit decreased to S\$4.4 million in 2Q FY2019, down 12.7% from S\$5.1 million in 2Q FY2018. Gross profit margin remained relatively constant at 25.6% in 2Q FY2019 compared to 25.5% in 2Q FY2018.

Total operating expenses – which include costs relating to boat shows, sales and marketing, as well as salaries decreased to S\$3.9 million in 2Q FY2019 from S\$4.2 million in 2Q FY2018, primarily due to lower sale commission expense.

Other non-operating expenses in 2Q FY2019 were due to foreign exchange losses, while other non-operating income in 2Q FY2018 was due to foreign exchange gains.

The tax expense in 2Q FY2019 arose from tax expense of a profitable subsidiary, while tax credit in 2Q FY2018 arose from the reversal of deferred tax liabilities.

As a result of the above, the Group's net profit was S\$0.1 million in 2Q FY2019, compared to a net profit of S\$1.0 million in 2Q FY2018.

The Group's revenue for the six months ended 31 December 2018 ("1H FY2019") decreased 11.7% to S\$38.9 million from S\$44.1 million for the six months ended 31 December 2017 ("1H FY2018"), primarily due to boats in production reaching maturity and fewer trade-in boat sales (1H FY2019: four stock boats and one trade-in sale; 1H FY2018: three stock boats and four trade-in sales).

However, gross profit increased to S\$10.0 million in 1H FY2019, up 2.6% from S\$9.7 million in 1H FY2018, driven by production efficiency and fewer trade-in boat sales. Gross profit margin increased to 25.7% from 22.1% over the comparative period, due to the aforementioned reasons.

Total operating expenses increased to S\$7.9 million in 1H FY2019 from S\$7.6 million in 1H FY2018, primarily due to higher advertising, professional fees and payroll costs.

Other non-operating expenses in 1H FY2019 were due to foreign exchange losses, while other non-operating income in 1H FY2018 was due to foreign exchange gains.

The tax expense in 1H FY2019 arose from tax expense of a profitable subsidiary, while tax credit in 1H FY2018 arose from the reversal of deferred tax liabilities.

As a result of the above, the Group's net profit was S\$1.2 million in 1H FY2019, compared to a net profit of S\$2.3 million in 1H 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 from operations was S\$4.7 million in 2Q FY2019 compared to S\$0.1 million in 2Q FY2018, due primarily to higher trade and other payables, as well as lower contract assets and trade and other receivables. These were partially offset by higher inventories.

The increase in trade and other payables was due primarily to deposits received from customers for new orders placed in December 2018 and deferred payment to vendors due to year end festive season. The increase in inventory was due to the higher value of inventory boats produced for the annual U.S. boat show season and trade-in boats held.

Cash flows used in investing activities amounted to S\$2.1 million in 2Q 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 2Q FY2018.

Cash flows from financing activities amounted to S\$8.6 million in 2Q FY2019, due to the proceeds from interest-bearing financing of inventory boats. This was partially offset by the repayment of loans (principal and interest)

used to partially finance the lease extension of the Group's Pasir Gudang yard in FY2016 and the purchase of a service yard facility in the U.S. in FY2018. Cash flows used in financing activities were S\$0.2 million in 2Q FY2018.

On a half-year basis, the Group's cash flow used in operations was S\$0.9 million in 1H FY2019 compared to S\$1.8 million in 1H FY2018, due primarily to higher inventories and lower contract liabilities. These were partially offset by lower trade and other receivables and higher trade and other payables. The increase in inventory and trade and other payables was outlined above.

Cash flows used in investing activities amounted to S\$4.0 million in 1H 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\$3.3 million in 1H FY2018.

Cash flows from financing activities amounted to S\$9.5 million in 1H FY2019, due to the proceeds from interest-bearing financing of inventory boats and loans. This was partially offset by the repayment of loans (principal and interest). Cash flows used in financing activities were S\$0.3 million in 1H FY2018.

As a result of the above, cash and cash equivalents were S\$13.3 million, including proceeds from the financing of three inventory boats, as at 31 December 2018 compared to S\$8.4 million as at 30 June 2018.

Non-current assets came to S\$43.8 million as at 31 December 2018, compared to S\$43.3 million as at 30 June 2018. Current assets increased to S\$51.1 million as at 31 December 2018 from S\$39.3 million as at 30 June 2018, due to the aforementioned increase in cash and cash equivalents, increases in inventories and contract assets, and lower trade and other receivables.

Total liabilities increased to S\$39.2 million as at 31 December 2018 from S\$26.1 million as at 30 June 2018, due mainly to the increases in trade and other payables, interest-bearing loans and borrowings, and 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.

Despite recording lower overall sales during the period in review, the Group remained profitable and even saw improvement in its gross margins, owing to streamlined manufacturing processes.

The Group is improving its production efficiency at its 480,000-square feet yard in Pasir Gudang, Malaysia, where it has invested in robotics to accelerate the design and prototyping of new boats. The new designs include the Grand Banks 52, which is currently undergoing quality assurance tests. While the Group intends to continue upgrading its facilities to boost output, it will also closely monitor and strive to minimise operating costs.

Demand for the Group's award-winning product lines remains strong in the U.S., the world's largest boat market. The Group showcased its yachts at events in Annapolis and Fort Lauderdale during the quarter, and hosted an open house at Stuart Yacht Corporation – its U.S. headquarters and service centre – during the festive season in December 2018. In the coming weeks, it will be promoting its boats at shows in Miami and Palm Beach in Florida as well as in Singapore.

The Group intends to launch the new GB52 at the Newport International Boat Show in September 2019. The GT50 will also be show-cased at Cannes, France around the same time.

The Group received 12 new boat orders, including three flagship GB60s, during the period in review, resulting in a net order book of S\$42.8 million as at 31 December 2018. As part of its commitment to investor engagement, it will host a tour of the Pasir Gudang yard in the first quarter of the 2019 calendar year, where interested shareholders will be able to observe the construction of yachts at the factory.

11. Dividend

a) Current Financial Period Reported on 31 December 2018

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 October 2018 through 31 December 2018, 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 second quarter ended 31 December 2018 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
13 February 2019