



GRAND BANKS YACHTS

CHARTING A BRIGHTER FUTURE

ANNUAL REPORT 2018





ABOUT **GRAND BANKS YACHTS LIMITED**

At Grand Banks
Yachts, we aspire
to build only the
world's most highly
respected cruising
yachts.

Grand Banks – a renowned manufacturer of luxury recreational motor yachts for more than 60 years – has designed and developed vessels that have become icons among boaters across the globe. While staying true to this heritage, Grand Banks continues to defy the expectations of yachtsmen with its timeless style, unique innovation and unyielding commitment to quality.

The Group manufactures yachts under the Grand Banks and Palm Beach brands out of its manufacturing yards at Pasir Gudang, Johor, Malaysia, and Berkeley Vale, Sydney, Australia. The yachts, which range between 42 feet and 70 feet, have a reputation for impeccable quality that delivers an unrivalled performance.

Grand Banks was listed on the Singapore Exchange Limited ("SGX") in 1987 and upgraded to the Main Board in 1993.





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* Inside front cover

CHAIRMAN'S STATEMENT



“Grand Banks has made good use of this turbulent decade to reinforce our position as a leading manufacturer of luxury cruising yachts that are admired by discerning sailors the world over.”

HEINE ASKAER-JENSEN

Chairman of the Board of Directors

DEAR SHAREHOLDERS,

I am pleased to report that the 2018 Financial Year (“FY2018”) was another twelve months of improved profitability for Grand Banks Yachts Limited (“Grand Banks” or the “Group”) derived from a remarkable corporate transformation launched in 2014 and today’s improved market conditions.

Grand Banks achieved a full-year net profit of S\$9.5 million – which benefited from tax credit of S\$3.6 million – on revenue of S\$83.5 million and a net order book of S\$32.8 million. Additional details about the financials for FY2018 can be found later in this report.

Ten years ago, the yachting industry was shattered by the global financial crisis and Grand Banks was no exception. Well-established brands had to give in to significant changes to the industry as well as marketplace demands. However, Grand Banks has made good use of this turbulent

decade to reinforce our position as a leading manufacturer of luxury cruising yachts that are admired by discerning sailors the world over. Our corporate foundation has been strengthened through two renowned global brands, two manufacturing locations, and dedicated production and marketing teams. Plants were significantly improved, combining new automated manufacturing and quality control processes with enhanced boat-building skillsets.

I wish to congratulate CEO Mark Richards and our various professional teams for a successful paradigm shift at Grand Banks. Together, they have completed a noteworthy transformation with no steps or processes untouched. Under this leadership, our two manufacturing yards in Pasir Gudang, Johor, Malaysia and Berkeley Vale, Sydney, Australia have strengthened both their output and technical capabilities.

CHAIRMAN'S STATEMENT



Together with in-house designers and industrial heavyweights, Mark has boldly redesigned our portfolio of premium yachts to incorporate innovative construction techniques and top-notch fuel efficiency while preserving the distinct brand identities of both Grand Banks and Palm Beach. Besides completely updating our product lines and manufacturing capabilities, he and his team have implemented a factory-direct sales and distribution model which has led to significant top-line growth in recent years.

We have also been doubling down on marketing and promotions in the United States ("U.S."). Aside from making the rounds at the annual fall boat show circuit – which typically includes Newport, Norwalk, Annapolis and Fort Lauderdale – we have acquired Stuart Yacht Corporation and its marina in Florida to serve as our U.S. headquarters. We

expect the new U.S. headquarters to boost sales for both our brands and enable us to deepen ties with North American clients.

Overall, we remain committed to maintaining profitability and delivering differentiated value for customers and shareholders alike. Given this year's strong performance, we plan to reward shareholders with a full-year dividend of S\$0.005 per share – the first in a decade – subject to approval at the Annual General Meeting.

On behalf of the Board, I extend my heartfelt thanks to our clients, business associates and employees for their dedication and service to the Group. We would not have achieved this success without all of you. As always, I remain grateful to my fellow Board members for their guidance and contributions.

To all our shareholders, thank you for standing with Grand Banks over the years. Your investments are in good hands and we hope you will benefit from our growth in the years to come.

In appreciation,

HEINE ASKAER-JENSEN

Chairman of the Board of Directors

CEO'S MESSAGE



“Our team has worked very hard to return Grand Banks to profitability and we are thrilled to finally reap the fruits of our labour.”

MARK J. RICHARDS
Executive Director & CEO

DEAR SHAREHOLDERS,

The financial year ended 30 June 2018 (“FY2018”) was a truly eventful period which included several achievements: a third straight year of profitability, the highest profit in ten years and the first dividend in a decade. For me, this period coinciding with my fourth year of leading Grand Banks Yachts Limited (“Grand Banks” or the “Group”) is truly heart-warming.

When I came on board as CEO in August 2014, the urgent task at hand was to revamp our boat designs, production processes and business model. We have since implemented cutting-edge manufacturing techniques, refreshed our product lines to bring out the best in the Grand Banks and Palm Beach brands, and set up a highly effective factory-direct sales model whereby senior consultants (myself included) offer personal support to yacht owners.

It took time and the sustained focus of the entire Grand Banks team, but our persistence paid off handsomely in FY2018. We achieved a net profit of S\$9.5 million, our highest in ten years and a remarkable 18-fold increase from S\$0.5 million last year. Our net order book was a healthy S\$32.8 million, which includes 22 new orders. The decline in our cash position to S\$8.4 million from S\$15.9 million in FY2017 reflects deliberate decisions to build an even stronger foundation for growth, through the development of new boats (which have led to higher inventory), upgrades to our yard in Pasir Gudang, Johor, and the acquisition of a marina in Florida.

Of particular significance in the period under review is our expanded portfolio of boats, as we have invested time and effort in new designs. As demand for these new models picks up, the economies of scale from our reconfigured yard in Johor, as well as new technologies and work processes, will contribute to better shareholder value in future.

CEO'S MESSAGE



This year, we showcased the Eastbay 44 at both Boot Dusseldorf in Europe and the Singapore Yacht Show. In September 2018, we kicked off our annual U.S. boat show circuit at Newport, where we debuted the Grand Banks 60 Skylounge – a fresh interpretation of the flagship Grand Banks 60 – and the Palm Beach GT50. Models in the works for FY2019 include the Grand Banks 52, a fuel-efficient long-range cruiser, and the Palm Beach 70, an upgrade of the popular Palm Beach 65.

In May 2018, we acquired the Stuart Yacht Corporation for US\$3.2 million (approx. S\$4.2 million). Its marina in Florida – a major boat market by itself – will serve as Grand Banks' headquarters in the United States, which is one of our strongest markets. We have consolidated existing U.S. offices and storage under the Florida headquarters, which replaces some rental facilities and berths. Additionally, it serves as a private dock and exhibition venue. We will upgrade the yard to offer even more commissioning, repair and maintenance services for our robust client base in North America.

While our Australian plant maintains an extremely efficient workforce and strong technical competencies, our Malaysian operations have also seen major gains in productivity and utilisation rates. The yard in Pasir Gudang now spans 500,000 square feet and features computer numeric control-based milling, a sheltered test pool and more covered space; enabling us to build bigger, higher-margin yachts in much less time without being affected by inclement weather. In FY2018, we completed and shipped 24 boats from Pasir Gudang compared to just 16 in FY2017. We plan to ramp up production by doubling staff at the yard from 650 to around 1,200 in the next few years, among other initiatives.

Grand Banks is committed to open and honest stakeholder communication. During the year, I had the privilege of hosting 50 shareholders for a behind-the-scenes tour of the Pasir Gudang yard, as well as various media interviews and a briefing at the Singapore Yacht Show. We ended FY2018 with the Gold award for Best Investor Relations (Small-Cap Companies) at the Singapore

Corporate Awards. It was very encouraging to see so much investor interest and I hope to meet more of you in future.

Our team has worked very hard to return Grand Banks to profitability and we are thrilled to finally reap the fruits of our labour. I am thankful to our employees, partners, clients, suppliers and shareholders for all their support in this exciting journey.

MARK J. RICHARDS
CEO, Grand Banks Yachts Limited

FY2018 FINANCIAL HIGHLIGHTS



For the financial year ended 30 June 2018 (“FY2018”), revenue increased 42.2% to S\$83.5 million from S\$58.7 million a year ago (“FY2017”). The improved revenue was due to a higher number of completed and delivered boats – as well as increased sales inventory and trade-in vessels – and a higher number of large boats under construction.

The U.S. remained the Group’s largest market, accounting for 75.5% of global sales for FY2018. Revenue contribution from Australia and Asia amounted to 22.5% and 2.0%, respectively.

Sales of larger, higher-margin boats in FY2018 lifted gross profit to S\$21.1 million from S\$10.5 million in FY2017, while gross profit margin rose to 25.2% from 17.9% over the comparative periods. The Group attributed this to operational efficiencies at its manufacturing yard in Pasir Gudang, Johor, Malaysia, which resulted in cost savings and shorter production cycles.

Total operating expenses for FY2018 rose to S\$15.3 million from S\$9.9 million in FY2017, due to increased broker commissions and expenses for boat shows, advertising, payroll and other professional fees.

Finance costs for the year were in relation to bank borrowings to finance part of the lease renewal consideration for the Pasir Gudang yard, as well as borrowing costs to finance part of the Group’s purchase of the Stuart Yacht Corporation in the U.S..

The Group’s bottom line was boosted by tax credit of S\$3.6 million in FY2018, compared to tax expense of S\$0.4 million in FY2017, due to the recognition of deferred tax assets from unutilised tax losses and capital allowances of two subsidiaries.

As a result of the above, the Group achieved a net profit after tax of S\$9.5 million, its highest in a decade and a major surge from S\$0.5 million in FY2017.

The Group remained cash flow positive, generating net cash of S\$1.1 million from operating activities in FY2018 compared to S\$5.1 million in FY2017. This was the result of higher profits, partially offset by higher inventories – attributable to a rise in recorded work-in-progress as a result of increased production – and higher receivables, as certain progress payments from buyers were only received in July and August 2018.

Cash flows used in investing activities for FY2018 amounted to S\$8.2 million compared to S\$5.2 million in FY2017, as the Group invested in developing more yacht models, completed the acquisition of the Stuart Yacht Corporation and made further improvements at Pasir Gudang.

Cash flows used in financing activities for FY2018 declined to S\$0.5 million from S\$0.8 million in FY2017, due to the finance costs and installment-based repayment of borrowings used to extend the lease of the Pasir Gudang facility in FY2016 and partially finance the acquisition of Stuart Yacht Corporation.

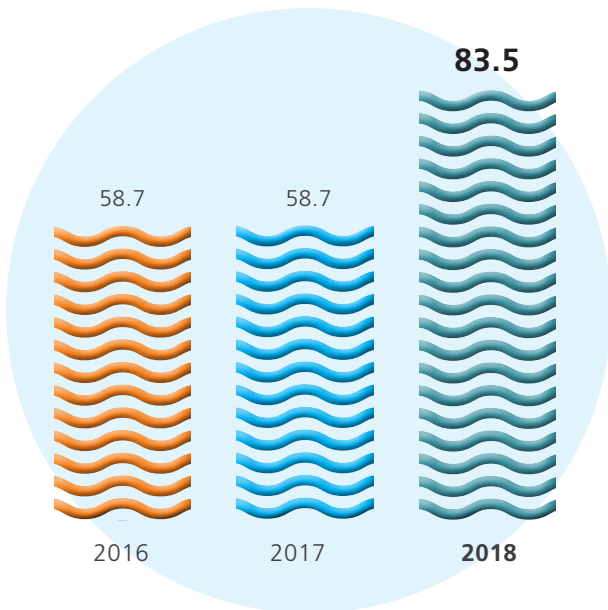
Due to the above, cash and cash equivalents decreased to S\$8.4 million as at 30 June 2018, compared to S\$15.9 million as at 30 June 2017.

Earnings per share for FY2018 rose to 5.14 Singapore cents from 0.28 Singapore cent in FY2017. Net asset value per share increased to 30.41 Singapore cents as at 30 June 2018 compared to 24.54 Singapore cents a year ago.

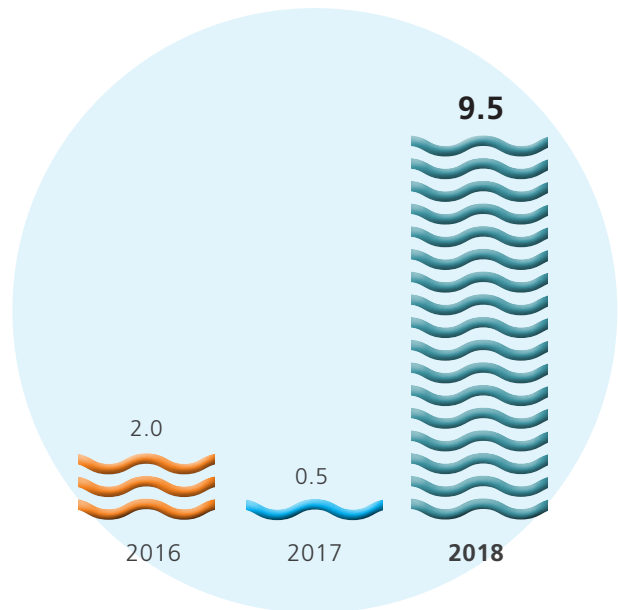
The Group received 22 new boat orders in FY2018, bringing the aggregate net order book to S\$32.8 million as at 30 June 2018.

FY2018 FINANCIAL HIGHLIGHTS

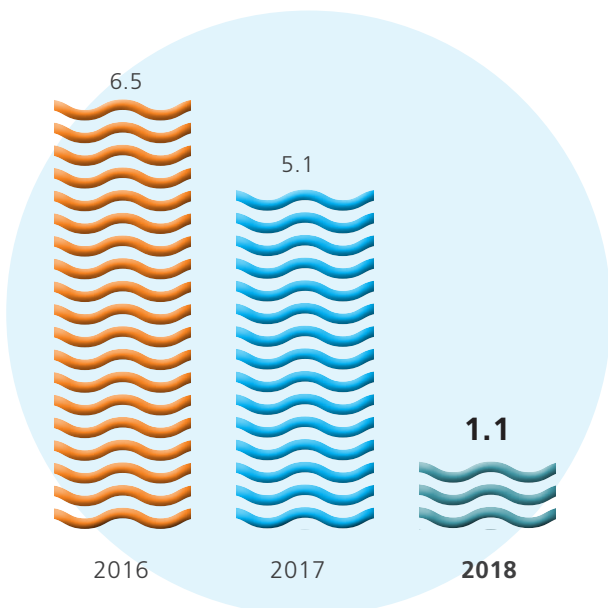
REVENUE S\$ million



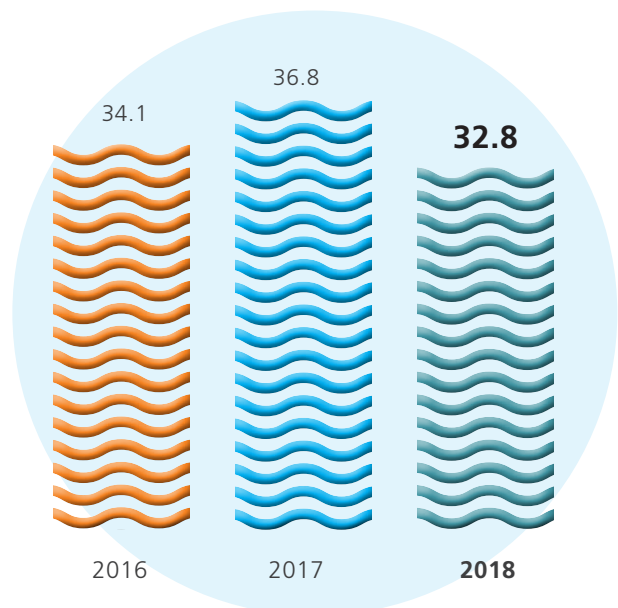
NET PROFIT S\$ million



OPERATING CASH FLOW S\$ million



NET ORDER BOOK S\$ million



BOARD OF DIRECTORS



HEINE ASKAER-JENSEN

Chairman of the Board & Independent Director

Mr. Heine Askaer-Jensen was appointed to the Board on 14 November 2011. He was last re-elected to the Board on 26 October 2017.

Mr. Askaer-Jensen holds a Bachelor Degree from Sonderborg Handelshøjskole, a department of Copenhagen Business School in Denmark, complemented by business studies at the Penn State University, USA (EMP) and Harvard Business School, USA (AMP/ISMP).

Mr. Askaer-Jensen has significant executive experience from his role as the Group Managing Director/Executive Vice Chairman of Jebsen & Jessen (SEA) Pte. Ltd. from 1970 to 2011, a diversified ASEAN group of more than S\$1 billion in revenue and 4,500+ employees engaged in trading, manufacturing and engineering activities. Mr. Askaer-Jensen, a Singapore permanent resident, is also the past Deputy Chairman and member of the board of the Singapore International Chamber of Commerce from 1994 to 2011, and an avid yachtsman who is intimately familiar with the Company's products as a Grand Banks owner.

MARK JONATHON RICHARDS

Chief Executive Officer & Executive Director

Mr. Mark Jonathon Richards was appointed Chief Executive Officer and Executive Director of Grand Banks Yachts Limited on 1 August 2014. He was last re-elected to the Board on 26 October 2016.

A qualified shipwright and successful professional yachtsman, Mr. Richards brings to the Group more than 30 years of hands-on experience in boatbuilding.

Mr. Richards is the founder of Palm Beach Motor Yacht ("Palm Beach"), which he set up in 1995 after a decade of open-water sailboat racing. Originally a bespoke boat manufacturer, Palm Beach now designs, builds and markets a full range of award-winning yachts from its factory in Berkeley Vale, located just 100km north of Sydney, Australia.

Under Mr. Richards' leadership, the Group has established a reputation for high-quality, fuel-efficient luxury yachts that incorporate the best features of Grand Banks and Palm Beach. He, who personally oversees production for both brands, has been instrumental in modernising the Group's manufacturing processes, as well as revamping its sales model and yacht portfolio. His restructuring measures include, among others, a complete redesign and upgrade of the Group's manufacturing plant in Pasir Gudang, Johor, Malaysia.

Mr. Richards' sailing record includes two world championships and the yearly Rolex Sydney-Hobart Yacht Race, which he has won eight times as skipper of *Wild Oats XI*. He has represented Australia in dozens of international regattas, including two America's Cups and the 2003 Admiral's Cup in the U.K., where he led Australia to victory.

BASIL CHAN

Independent Director

Mr. Basil Chan was appointed to the Board on 14 November 2011. He was last re-elected to the Board on 26 October 2016.

Mr. Chan holds a Bachelor of Science (Economics) Honours degree majoring in Business Administration from the University of Wales Institute of Science & Technology, U.K. and is a Fellow member of the Institute of Chartered Accountants in England and Wales ("ICAEW") as well as a member of the Institute of Singapore Chartered Accountants ("ISCA").

Mr. Chan was formerly a Council Member and Director of the Singapore Institute of Directors ("SID") where he had served 12 years, chairing its Professional Development Sub-committee and also as a Treasurer for a term of three years. He currently serves on the Audit Committee Chapter of SID and is Chairman of its Education sub-committee. He is a Chartered Accountant by training, having qualified in the U.K. with ICAEW. He was also a member of the Corporate Governance Committee in 2001 which published the Singapore Code of Corporate Governance. In addition, he previously sat on the Accounting Standards Committee and on the Audit and Assurance Standards Committee of ISCA. He currently sits on the Corporate Governance Committee of ISCA where he is its Deputy Chairman. He is the Founder and Managing Director of MBE Corporate Advisory which provides corporate and financial advisory to listed and private companies. Mr. Chan is also an Independent Director of three other SGX-listed companies, namely AEM Holdings Limited, Global Invacom Group Limited and Memories Group Limited. In the last three years, he had previously sat on the Boards of SBI Offshore Limited, Singapore eDevelopment Limited and Yoma Strategic Holdings Ltd.

BOARD OF DIRECTORS



GERARD LIM EWE KENG

*Non-Executive &
Non-Independent Director*

Mr. Gerard Lim Ewe Keng was appointed to the Board on 21 February 2013. He was last re-elected to the Board on 28 October 2015.

Mr. Lim holds a Bachelor of Science in Chemical Engineering from the University of Birmingham and an MBA from University of Aston, U.K..

Mr. Lim is the General Manager and Director of Kien Huat Realty Sdn Bhd ("Kien Huat"), an investment holding company which is a substantial shareholder of Genting Berhad ("Genting"). Genting and its subsidiaries, Genting Malaysia Berhad and Genting Plantations Berhad are listed on Bursa Malaysia and Genting Singapore PLC is listed on the Singapore Exchange Limited.

He is also a director of Golden Hope Ltd, acting as the trustee of the Golden Hope Unit Trust ("Golden Hope") – an investment holding company which is a substantial shareholder of Genting Hong Kong Ltd, a company listed on the Hong Kong Stock Exchange.

He also oversees the private investments of Kien Huat and Golden Hope which include investments in a ski resort near Beijing, casino resorts in the U.S. and genomics.

Prior to joining Kien Huat and Golden Hope, he was the Chief Financial Officer of Genting Hong Kong Ltd responsible for finance, legal and IT and was involved in the setting up of the cruise division in Genting Hong Kong (formerly known as Star Cruises Limited). He started his career in corporate planning in the Genting Group and has worked in various companies in the Group.

He is currently a Non-Executive Director of Empire Resorts, Inc..



GARY JAMES WEISMAN

Independent Director

Mr. Gary James Weisman was appointed to the Board on 28 October 2015. He was last re-elected to the Board on 26 October 2017.

Mr. Weisman holds a Bachelor of Science in Social Science from the California State University at San Diego. Mr. Weisman was President of North Sails, now the world's leading sailmaking company and the largest division in the North Technology Group ("NTG"). Mr. Weisman became President in 1998 and retired in 2013, having served with North Sails for almost 40 years since joining in 1974.

Mr. Weisman served as a Director of NTG from 1998 to 2013. Mr. Weisman also served as Director of the Edgewater Powerboat Company, an NTG portfolio company and Florida-based manufacturer of small luxury yachts and premium center console fishing boats from 2011 until the acquisition of NTG by Oakley Capital Group in 2014.

An expert yachtsman, Mr. Weisman has owned powerboats and sailboats for more than 25 years, and has fished and cruised over 50,000 miles aboard his vessels. He has also raced hundreds of thousands of miles on the Grand Prix yachting circuit. In 2017, his family took delivery of a new Grand Banks 60, named *Iluka*, for further adventures.



THE WORLD IS YOUR **OCEAN**

ONBOARD
THE GB60





GRAND BANKS 60



CORPORATE GOVERNANCE REPORT

The Directors of Grand Banks Yachts Limited (the "Company") are committed to maintaining a high standard of corporate governance within the Company and its subsidiary companies (the "Group"). The Company has put in place various policies and practices to ensure greater transparency and to protect the interests of the Company's shareholders as part of its efforts to maintain high standards of corporate governance.

This report outlines the corporate governance practices and procedures adopted by the Company with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "Code") and the extent of its compliance with the Code during the financial year ended 30 June 2018 ("FY2018").

The Board confirms that the Group has adhered to the principles and guidelines as set out in the Code. Where there are deviations from the Code, specific reference to the guidelines are made and appropriate explanations provided in this report.

BOARD MATTERS

The Board's Conduct Of Affairs

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.*

Guidelines Of The Code

- 1.1 The Board's role is to:
- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
 - (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
 - (c) review management performance;
 - (d) identify the key shareholder groups and recognize that their perceptions affect the company's reputation;
 - (e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
 - (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Grand Banks Corporate Governance Practices

The Board views one of its primary functions as protecting and enhancing shareholder value and ensures accurate, adequate and timely reporting to, and communication with shareholders. In addition, the Board meets regularly to oversee and monitor the performance of Management and business affairs of the Group, including the Group's compliance with the rules and regulation of the relevant regulatory bodies.

The Board sets the overall strategies of the Group as well as policies covering various matters with an emphasis on values, standards, internal controls, annual budgets and financial performance, quarterly reporting and risk management procedures as well as environmental and social issues. The Company's Sustainability Report is set out on pages 121 to 147 of this Annual Report.

The Board also reviews and approves all major capital investments and funding proposals, divestment proposals, potential acquisitions and disposal of assets and interested person transactions, if any.

CORPORATE GOVERNANCE REPORT

1.2 All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.

Every Director, in the course of carrying out his duties, acts in good faith and considers at all times, the interests of the Group. The Board provides shareholders with a balanced and clear assessment of the Group's financial performance, position and prospects on a quarterly basis.

1.3 The Board may delegate the authority to make decisions to any board committee but without abdicating its responsibility. Any such delegation should be disclosed.

The Board delegates the implementation of business policies and day-to-day operations to the Chief Executive Officer ("CEO") and the Group's Management team but would amongst other things, oversee and assume responsibility for the Group's overall strategic plans, its overall performance and compliance with corporate governance practices. The Board is free to request for further clarification and information from Management on all matters within their purview.

In order to provide independent oversight and to discharge its responsibilities more efficiently, the Board has established a Nominating Committee ("NC"), a Remuneration Committee ("RC"), a Strategic Committee ("SC") and a Risk Management and Audit Committee ("RMAC") and delegated specific areas of responsibilities to be discharged by each of these Board Committees. The SC was established with effect from 8 February 2018 to assist the Board in the following areas:

- To develop long-term strategic plans for the Group, including the evaluation and monitoring the implementation of the strategic plans by Management;
- To review areas identified by Management as having material impact on the Group's long-term strategies; and
- To review proposals made by Management and recommend strategic initiatives for the Group pertaining to any changes in business direction, new markets, new products and/or any major re-organisation or investment/divestment.

These Board Committees have been constituted with clearly defined Terms of Reference, which are reviewed on a regular basis to ensure their continued relevance and adequacy to meet the governance standards expected of the Board. The Board Committees are actively engaged and play an important role in ensuring corporate governance of the Group. Outcome of each Board Committee meeting and their recommendations are reported to the Board by the Chairman of the respective Board Committees and will be subsequently reviewed by the entire Board.

CORPORATE GOVERNANCE REPORT

The Board acknowledges that while the various Board Committees have the authority to carry out their duties and make recommendations, the ultimate responsibility on all matters lies with the Board collectively.

Please refer to Table A for Board and Board Committees.

- 1.4 The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the Company's Annual Report.

The Board held five meetings in FY2018, including ad hoc Board meetings held whenever the Board's guidance or approval was required, outside of the scheduled Board meetings. The number of Board and Board Committees meetings held and the attendance record of each director during FY2018 are set out in Table B. In addition, the Board held several conference calls throughout the year to expedite decision-making on critical areas. Decisions of the Board and Board Committees were also obtained through circular resolutions in writing.

Dates of Board, Board Committees and Annual General Meetings are scheduled in advance in consultation with all of the Directors. A Director who is unable to attend a Board or Committee meeting in person is invited to participate in the meeting via telephone or video conference.

All Board members who are non-committee members of the RMAC, NC, RC and SC would attend the Board Committee meetings via invitation.

- 1.5 Every company should prepare a document with guidelines setting forth:
- (a) The matters reserved for the Board's decision; and
 - (b) Clear direction to Management on matters that must be approved by the Board.

The types of material transactions that require board approval under such guidelines should be disclosed in the Company's Annual Report.

The Board has adopted a "Delegation of Authority Matrix" for Management – setting thresholds/limits for transactions permitted to be undertaken by Management.

Matters which are specifically reserved for the Board's decision and approval include:

- material acquisitions and disposals of assets;
- material new investments, borrowings, corporate or financial restructuring;
- share issuances, dividends and other returns to shareholders;
- Strategic plans and objectives;
- the Group's annual operating budgets and financial plans;
- the Group's overall financial and management performances;
- Remuneration for key executives;

CORPORATE GOVERNANCE REPORT

	<ul style="list-style-type: none"> • the Group's overall internal controls and risk management; • Quarterly and full year financial results and announcements as well as compliance with bank covenants for banking facilities granted by financial institutions; and • Corporate governance compliance, including any other transactions of a material nature requiring announcement under the Listing Manual Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").
<p>1.6 Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the company's business and governance practices. The Company should provide training for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate.</p> <p>It is equally important that all directors should receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.</p> <p>The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.</p>	<p>All newly appointed Directors undergo an orientation program to provide them with background information on the Group and industry-specific knowledge. During the year under review, no new Director was appointed.</p> <p>The Directors continuously update themselves on new laws, regulations and changing commercial risks. Every Director is also invited and encouraged to seek additional training to further their skills in performing their duties, including attending classes and/or events sponsored by the Singapore Institute of Directors ("SID"). Directors are also informed of upcoming conferences or seminars relevant to their roles as directors of the Group. Such training is funded by the Company.</p> <p>Mr. Basil Chan chairs the SID's Audit Committee Chapter Education sub-committee and organized and attended many of its programs including The AC's Role in Crisis Management and Getting Ready for FRS 116 (Leases). He also attended SID's Annual Conference and SID's Audit Committee seminar.</p> <p>The Directors may, at any time, visit the Group's production facilities and sales locations or attend dealer meetings, trade shows and customer activities to gain a better understanding of the Group's business. If regulatory changes have a material impact on either the Group or the Directors, Management briefs the Directors at the Board meetings.</p>

CORPORATE GOVERNANCE REPORT

1.7	Upon appointment of each director, the Company should provide a formal letter to the director, setting out the director's duties and obligations.	The Company has issued formal letters of appointments to all directors, which spell out their roles, duties, responsibilities and obligations as directors. All directors have unrestricted access to the Company's resources such as its Constitution, Terms of References of the respective Board Committees, Annual Reports and any other pertinent information for their reference.
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Board Composition And Guidance

Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

Guidelines Of The Code

2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.

Grand Banks Corporate Governance Practices

During the year, the Board comprises five members: three independent directors, one non-independent and non-executive director and one executive director. The Board is able to exercise objective judgement on corporate affairs independently as independent directors comprise majority of the Board. Furthermore, all Board Committees are chaired by and comprised primarily of independent and non-executive directors.

Please refer to Table A for the composition of the Board and Board Committees. The profiles of the directors are set out on pages 8 to 9 of this Annual Report.

2.2	The independent directors should make up at least half of the Board where:	The Chairman of the Board of Directors is an independent director and not related to the Chief Executive Officer.
	(a) The Chairman of the Board (the "Chairman") and the Chief Executive Officer (or equivalent) (the "CEO") is the same person;	
	(b) The Chairman and the CEO are immediate family members;	
	(c) The Chairman is part of the management team; or	
	(d) The Chairman is not an independent director.	

CORPORATE GOVERNANCE REPORT

2.3 An “independent” director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement with a view to the best interests of the company. The Board should identify in the Company’s Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee (“NC”), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director’s judgement.

If the Board wishes to consider the director as independent, in spite of the existence of one or more of these relationships as defined in the Code, it should disclose in full the nature of the director’s relationship and bear responsibility for explaining why he should be considered independent.

2.4 The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subjected to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

2.5 The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board should not be so large as to be unwieldy.

The NC is responsible for reviewing the independence of each director based on the guidelines set out in the Code. The NC conducts an annual review of the directors’ independence and requires each independent director to confirm his independence by completing, signing and submitting a confirmation of independence declaration based on the guidelines provided in the Code. For the year under review, the NC had reviewed the declarations submitted by the independent and non-executive directors, namely Messrs Heine Askaer-Jensen, Basil Chan and Gary James Weisman, and was satisfied that there are no relationships which would impair their independent judgement or would deem any of them to be non-independent.

Since more than one-third of the current Board composition is made up of independent and non-executive directors, who are also independent of the substantial shareholders of the Group, the Board exercises independent and objective judgement on all corporate matters and constructively challenges key decisions, and strategies taking into consideration the long-term interests of the Group and its shareholders.

None of the independent directors had served on the Board for more than nine years.

The Board with the help of NC continuously evaluate the need for Board renewal, taking into account the length of service of each director and the environment the Group operates in.

The NC has continuously reviewed the size and composition of the Board and Board Committees, including the skills and core competencies of each director to ensure an appropriate balance and diversity of skills and experience for effective decision-making.

The NC also takes into consideration the environment the Group operates in, the size and complexity of its operations in determining the Board size and composition.

The NC is satisfied that the Board continues to operate effectively for the Group given the current Board size and composition.

CORPORATE GOVERNANCE REPORT

<p>2.6 The Board and its Board Committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.</p>	<p>The NC periodically reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board. This assists the NC in identifying and nominating suitable candidates for appointment to the Board.</p>
	<p>The NC is satisfied that the Board, as a whole, consists of good mix of individuals with appropriate skills, expertise, industry knowledge, and general commercial experience to lead and govern the Group effectively. The three independent directors and one non-independent and non-executive director are respected professionals drawn from a broad spectrum of expertise which enables them, in their collective wisdom, to contribute effectively and provide a balance of views at both the Board and the respective Board Committees meetings. Details of the directors' academic and professional qualifications as well as experiences and other appointments are set out on pages 8 and 9 of this Annual Report.</p>
	<p>The Board seeks diversity in Board composition and has members with accounting, financial background and from diverse industries and geographical markets, including the boat industry and the Group's key markets such as the USA and Australia. The Board recognizes the need for gender diversity and will consider favorably a female board member at the next board renewal exercise.</p>
	<p>Notwithstanding that there is no formal Board diversity policy in place, the NC and the Board is cognizant of the recommendations as set out under Guideline 2.6 of the Code.</p>
<p>2.7 Non-executive directors should:</p> <ul style="list-style-type: none"> (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. 	<p>The independent and non-executive directors confer regularly with the executive director and Management to develop strategies for the Group, review the performance of Management, assess remuneration and discuss corporate governance matters.</p>
<p>2.8 To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without the presence of Management.</p>	<p>During FY2018, the independent and non-executive directors met or had calls informally periodically throughout the year without the presence of executive director and Management.</p>

CORPORATE GOVERNANCE REPORT

Chairman And Chief Executive Officer

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

Guidelines Of The Code

3.1 The Chairman and CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.

3.2 The Chairman should:

- (a) lead the Board to ensure its effectiveness on all aspects of its role;
- (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promote a culture of openness and debate at the Board;
- (d) ensure that the directors receive complete, adequate and timely information;
- (e) ensure effective communication with shareholders;
- (f) encourage constructive relations within the Board and between the Board and Management;
- (g) facilitate the effective contribution of non-executive directors in particular; and
- (h) promote high standards of corporate governance.

3.3 Every company should appoint an independent director to be the lead independent director where (a) the Chairman and the CEO is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director.

The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate.

Grand Banks Corporate Governance Practices

The role of the Chairman is separate from that of the CEO and they are separate and unrelated persons. There is adequate accountability and transparency as independent directors make up majority of the Board. The Board is able to exercise its power objectively and independently from Management. No individual or small group of individuals dominates the Board's decision making.

The Group's Chairman plays a key role in promoting high standards of corporate governance, scheduling meetings that enable the Board to perform its duties, establishing the agenda for the Board meetings in consultation with the CEO and ensuring that the Board reviews and approves the Group's key strategies and policies. The Chairman also participates in communicating with key stakeholders, including shareholders, employees, independently-owned dealers, independent brokers and customers.

The CEO's responsibilities encompass managing the day-to-day business activities of the Group, developing and executing the Group's strategies, reporting back to the Board on the performance of the Group, and providing guidance to the Group's employees. The CEO also encourages constructive relations between Management and the Board.

The Company is not required to comply with this Guideline and has not appointed a lead independent director since the Group's Chairman and CEO are two separate and unrelated persons. The Chairman is an independent and non-executive director.

CORPORATE GOVERNANCE REPORT

3.4 Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.

The Company is not required to appoint a lead independent director under the Code.

The independent directors including the Chairman, who is an independent director, confer regularly without the presence of the executive director via emails and telephone calls.

As and when the need arises, either the Chairman or any of the independent directors may call for meetings to meet or communicate amongst themselves.

During FY2018, the independent directors met or had calls informally periodically throughout the year without the presence of the non-independent and non-executive and executive directors and Management.

Board Membership

Principle 4: *There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

Guidelines Of The Code

4.1 The Board should establish a NC to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.

Grand Banks Corporate Governance Practices

The NC, whose terms of reference are approved by the Board, comprises three members: two independent directors and one non-independent and non-executive director. The NC Chairman is independent and not associated in any way with the 10% shareholders of the Company.

The key functions of the NC are to make recommendations to the Board on all new Board appointments, determine the size and composition of the Board, review the balance and effectiveness of the Board and identify the skills required at the Board level in ensuring that the Board remains effective and focused.

The NC met once during FY2018.

Please refer to Table A for the composition of the NC.

CORPORATE GOVERNANCE REPORT

4.2 The NC should make recommendations to the Board on relevant matters relating to:

- (a) the review of Board succession plans for directors, in particular, the chairman and for the CEO;
- (b) the development of a process for evaluation of the performance of the Board, its Board Committees and directors;
- (c) the review of training and professional development programs for the Board; and
- (d) the appointment and re-appointment of directors (including alternative directors, if applicable).

Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each directors' competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director.

All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.

The NC is responsible for making recommendations to the Board on all Board appointments and on the composition of executive, non-executive and independent directors of the Board. The NC also reviews and recommends on the nomination of directors who are retiring by rotation as well as determining annually whether or not a director is independent.

In accordance with Article 86 of the Constitution of the Company, one-third of the members of the Board (or, if the number is not three or a multiple of three, then the number nearest to one-third) shall retire from office by rotation at the Company's Annual General Meeting ("AGM"). The retiring directors are eligible to offer themselves for re-election.

The directors due to retire by rotation at the Company's forthcoming AGM for FY2018 are Mr. Basil Chan (independent director) and Mr. Gerard Lim Ewe Keng (non-independent and non-executive director).

There are no relationships including immediate family relationships between Mr. Chan and the other directors, the Company or its 10% shareholders. Mr. Lim is an associate of one of the controlling shareholders of the Company, Genting Hong Kong Limited. Saved as disclosed above, there are no other relationships including immediate family relationships between Mr. Lim and the other directors of the Company.

The NC has reviewed and recommended the nomination of each retiring Director to the Board after taking into consideration factors such as the individual Director's contribution, performance, attendance at the Board and/or Board Committee meetings, and adequate time and attention devoted to the affairs of the Group to discharge their duties as directors of the Company, in the case of directors with multiple board representations. Each member of the NC abstains from all discussions, deliberations and decisions in respect of their own performance assessment or re-election.

The Board has accepted the NC's nomination of the retiring directors who have given their consent for re-election at the forthcoming AGM of the Company. The Board recognises the contribution of its directors who over time have developed deep insight into the Group's operations and industry and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for any of its directors.

CORPORATE GOVERNANCE REPORT

	<p>In the coming year, the NC will deliberate succession plans for the Chairman and the CEO.</p> <p>An annual evaluation of the performance of the Board is in place. Please refer to Guideline 5.1.</p> <p>The training and professional development programs for the Board are covered in Guideline 1.6.</p> <p>The selection, appointment and re-appointment of directors are covered in Guideline 4.6.</p>
<p>4.3 The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it should provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is non-independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.</p>	<p>A director who has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement, is considered to be independent.</p> <p>The NC conducts an annual review of directors' independence and is of the view that Mr. Askaer-Jensen, Mr. Chan and Mr. Weisman continue to be independent and that, no one individual or small group dominates the Board's decision-making process. The independent directors had also confirmed their independence in accordance with the Code.</p>
<p>4.4 When a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company.</p> <p>The NC should decide if a director is able to and has been adequately carrying out his/her duties as a director of the company, taking into consideration the director's number of listed company board representations and other principal commitments. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.</p>	<p>All directors declare their board memberships annually.</p> <p>The NC recommends that each director can hold a maximum of six directorships in listed companies concurrently. The NC reviews each director on a case-to-case basis, taking into consideration any conflict of competing time commitments faced by directors with multiple board representations, including attendance and active participation during the Company's Board and Board Committees meetings when determining the capacity of the director.</p> <p>The NC has reviewed and is satisfied that all directors have devoted sufficient time and attention to the affairs of the Group to adequately perform their duties as directors of the Company.</p> <p>None of the directors hold more than six directorships in listed companies concurrently. Details of each director's present and past three years directorships or chairmanship in other listed companies, and other principal commitments are set out on page 50 of this Annual Report.</p>

CORPORATE GOVERNANCE REPORT

Notwithstanding that there is no formal guideline in place to address the conflict of competing time commitments that are faced by directors with multiple board representations, the NC and the Board is cognizant of the recommendations as set out under Guideline 4.4 of the Code. The NC would continue to review, on an on-going basis, and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.

4.5 Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate director bear all the duties and responsibilities of a director.

The Company does not have any alternate directors.

4.6 A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.

When the need for a new director is identified, either to replace a retiring director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for NC's consideration.

The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting their recommendations to the Board for approval.

CORPORATE GOVERNANCE REPORT

4.7 The following information regarding directors, should be disclosed in the company's Annual Report:

- academic and professional qualifications;
- shareholdings in the company and its related corporations;
- board committees served on (as a member or Chairman), date of first appointment and last re-appointment as a director;
- directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments;
- indicate which directors are executive, non-executive or considered by the NC to be independent; and
- the names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include:
 - any relationships including immediate family relationships between the candidate and the director, the company or its 10% shareholders;
 - a separate list of all current directorship in other listed companies; and
 - details of other principal commitments.

The NC reviews the re-nomination of directors who retire by rotation, taking into consideration the director's contribution, performance and any other factors it may determine before submitting its recommendation to the Board for approval.

The profiles of the Directors, including details of their academic and professional qualifications, directorships and/or chairmanships for both present and those held over the preceding three years in other public listed companies, other principal commitments, and date of first appointment and date of last re-election as director of the Company are set out on pages 8 and 9 of this Annual Report and in Table A.

Information on each director's shareholdings in the Company and its related companies is set out in the "Directors' Statement" section on pages 53 to 56 of this Annual Report.

Information on each director's designation (i.e. executive or non-executive or independent) is set out in the "Board of Directors" section on pages 8 and 9 of this Annual Report, Corporate Information of this Annual Report and in Table A.

Information on the relationships including immediate family relationships between the retiring directors and the other directors, the Company or its 10% shareholders are disclosed in Guideline 4.2.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: *There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.*

Guidelines Of The Code

5.1 Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.

5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholder value.

5.3 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

Grand Banks Corporate Governance Practices

The NC assesses the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board. It does so by requiring all directors to complete a board evaluation questionnaire to seek their view on Board performance and effectiveness as well as areas for improvement. The NC periodically engages external consultants to help in this evaluation process.

The results of the NC's assessment for FY2018 are communicated to and accepted by the Board. The Board is satisfied that it has met its performance and effectiveness objectives for FY2018.

The criteria the Board's performance is evaluated include meeting financial performance targets, enhancement of shareholder value and good corporate governance practices.

Each director assesses the effectiveness of the Board as a whole by providing feedback to the NC. The results and feedback of the evaluation results are collated, reviewed and discussed by the NC and where necessary, recommendations are made to the Board to further enhance the effectiveness of the Board.

The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company.

Due to the small size of the Board, the NC is of the view that individual evaluation of each director is not required at this juncture. There are, however, regular dialogues among the directors.

Nominations for re-election of retiring directors are recommended by the NC and approved by the Board. The replacement of a director, when it occurs, does not necessarily reflect the director's performance, but may be driven by the need to align the Board with the needs of the Group.

CORPORATE GOVERNANCE REPORT

Access To Information

Principle 6: *In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

Guidelines Of The Code

6.1 Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfill his duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.

6.2 Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.

6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its Board Committees and between Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.

Grand Banks Corporate Governance Practices

The directors have separate and independent access to the Group's Management team and all of the Group's records at all times in carrying out their duties.

Detailed Board papers and books are prepared and circulated in advance for each meeting. This is to give directors sufficient time to review the matters to be discussed so that discussions can be more meaningful and productive. However, sensitive matters may be tabled at the meeting and discussed without papers being distributed. The Board books include sufficient information from the Management on financial, operating and corporate issues to brief directors properly on issues to be considered at both Board and Board Committee meetings. Such information may also be in the form of presentations made by the Management team in attendance at the meetings, or by external consultants engaged on specific projects.

The directors are regularly provided with complete and timely information prior to meetings to enable them to fulfill their duties. Management provides members of the Board with quarterly management accounts, as well as summary monthly data comparing key actual financial metrics relative to budget and results from prior periods.

The directors have separate and independent access to the Company Secretary.

The Company Secretary helps to ensure that applicable rules and regulations are complied with and assists the Board in implementing and improving corporate governance practices and ensuring that proper procedures are observed and requirements of the Companies Act, Chapter 50 ("Companies Act") and the Listing Manual of the SGX-ST are complied.

The Company Secretary attends all board meetings and prepares minutes of all meetings of the Board and Board Committees.

CORPORATE GOVERNANCE REPORT

6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole.	The appointment and the removal of the Company Secretary is subject to the Board's approval.
6.5 The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.	All directors have direct access to the Group's independent professional advisors, as and when necessary, to discharge his responsibilities effectively. In addition, the directors, either individually or as a group, may seek separate independent professional advice, if necessary. The cost of all such professional advice is borne by the Group.

REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

Guidelines Of The Code

7.1 The Board should establish a Remuneration Committee ("RC") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest.

The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.

Grand Banks Corporate Governance Practices

The RC, whose terms of reference are approved by the Board, comprises three members: two independent directors and one non-independent and non-executive director.

The primary purpose of the RC is to recommend to the Board a framework of compensation, and the specific compensation packages for each director and the CEO of the Company.

The RC shall cover all aspects of compensation, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

CORPORATE GOVERNANCE REPORT

The RC will also review the compensation of key management personnel.

If necessary, the RC can seek expert advice inside and/or outside the Company on compensation of all directors and/or key management personnel.

The RC met twice during FY2018.

Please refer to Table A for composition of the RC.

7.2 The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the entire Board.

The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

The RC reviews and makes recommendations to the Board on the framework of remuneration packages and policies applicable to the CEO, the directors and the Group's senior executives.

The RC reviews the remuneration packages and employment contracts in order to attract and retain capable executives through competitive compensation. The RC recommends for the Board's endorsement, a framework of compensation that covers aspects of remuneration including directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director, the CEO and select senior executives.

7.3 If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.

The RC regularly utilises external consultant's advice and data to assist in the evaluation of its compensation recommendations. No director is involved in any deliberation in respect of his own remuneration, including any other forms of compensation or benefits to be granted to him or someone related to him. Each member of the RC abstains from making any recommendation on or voting on any resolutions in respect of his own remuneration package, except for providing information and documents specifically requested by the RC.

The Company's current remuneration consultant is Robinson Consulting Pte Ltd ("RCPL") which has an independent and objective relationship with the Group.

CORPORATE GOVERNANCE REPORT

RCPL reviewed and recommended changes to non-executive directors' fees for year ending 30 June 2019. A proposal has been tabled for shareholders' approval at the October 2018 AGM to adjust Non-Executive Directors fees for year ending 30 June 2019. The adjustment to S\$252,500 is explained by the following:

- (a) market adjustment as the Non-Executive Directors' fees have not been adjusted since 2012; and
- (b) formation of a Strategic Committee hence the additional fees.

The RC reviews the Group's termination clauses and termination processes and is of the opinion that the clauses and processes are fair and reasonable. In the course of such review, the RC also considers the Group's obligations in the event of termination of the executive director and/or any of the key management personnel, to ensure that the termination clauses in the service agreements are not overly generous so as to avoid rewarding poor performance.

Level And Mix Of Remuneration

Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

Guidelines Of The Code

8.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors' and key management personnel's performance.

Grand Banks Corporate Governance Practices

In reviewing and determining the remuneration packages of the CEO and the Group's key management personnel, the RC considers the key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing remuneration packages. An appropriate proportion of their remuneration is linked to individual and corporate performance and is aligned with the interests of shareholders.

CORPORATE GOVERNANCE REPORT

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- 8.2 The RC should encourage long-term incentive schemes and review whether executive directors and key management personnel are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year.
- Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquiring the shares and associated tax liability.
- In line with this Guideline which encourages long-term incentive schemes, the RC currently administers the Group's Performance Share Plan 2014 (the "PSP") and Employee Share Option Scheme 2014 (the "ESOS") which was approved by Shareholders at the EGM held on 8 October 2014 with the objective of attracting and retaining key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group.
- Each year, the Board seeks approval from the Group's shareholders to grant awards and options and to allot and issue shares in accordance with the provisions of the PSP and ESOS in order to align the interests of Management with shareholders.
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- 8.3 The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised.
- The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.
- The non-executive director and the independent directors of the Company are each issued an appointment letter by the Company.
- The independent directors and the non-executive director are paid directors' fees, which are reviewed and determined by the RC annually based on the effort, time spent and responsibilities of the directors, as well as benchmarking data provided by external experts (where applicable). The directors' fees are then recommended by the RC with each director abstaining from matters relating to his own fees for the Board's endorsement and approval by the shareholders at the Company's AGM.
- The Company had established a Strategic Committee with effect from 8 February 2018. Accordingly, the RC had recommended the payment of additional directors' fees of S\$5,420 (on a pro-rata basis) for year ended 30 June 2018 to account for the additional responsibilities of the respective committee members.
- To facilitate the payment of directors' fees during the financial year in which they are incurred, the Company is seeking shareholders' approval for directors' fees of S\$252,500 to be paid for the financial year ending 30 June 2019 on quarterly basis in arrears.
- The Company secured shareholders' approval to allow non-executive directors to participate in both the PSP and the ESOS.
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CORPORATE GOVERNANCE REPORT

All independent directors and non-independent and non-executive directors participate in the ESOS.

Please see Table D for the detailed schedule of FY2018 directors' fees for independent and non-executive directors.

8.4 Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.

The Company has implemented contractual provisions allowing the Company to reclaim bonuses from executive director and key management executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group.

Disclosure On Remuneration

Principle 9: *Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

Guidelines Of The Code

9.1 The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company.

This annual remuneration report should form part of, or be annexed to the Company's Annual Report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.

Grand Banks Corporate Governance Practices

The Board has included a separate remuneration report to shareholders in the Annual Report, the top five key management personnel (who are not Directors or the CEO) remuneration are disclosed in bands of S\$250,000 and aggregate remuneration disclosed.

Please refer to Table D for remuneration bands for the directors (including the CEO) and the top five key management personnel (who are not directors or the CEO) for FY2018.

9.2 The company should fully disclose the remuneration of each individual director and the CEO on a named basis.

There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives.

Please refer to Table D for remuneration bands for the directors (including the CEO) and the top five key management personnel (who are not directors or the CEO) for FY2018.

CORPORATE GOVERNANCE REPORT

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- 9.3 The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000.
- In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO).
- As best practice, companies are encouraged to fully disclose the remuneration of said top five key management personnel.
- The top five key management personnel are named, their remuneration disclosed in bands of S\$250,000 and the total remuneration paid disclosed.
- Please refer to Table D for (i) the remuneration of the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000 and (ii) the aggregate total remuneration paid to them for FY2018.
- The RC would continue to review and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.
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- 9.4 The annual remuneration report should disclose the remuneration of employees, on a name basis, who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. Disclosure of remuneration should be in incremental bands of S\$50,000.
- None of the Company's employees whose remuneration exceeds S\$50,000 during the year are related to a director or the CEO.
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- 9.5 The annual remuneration report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies.
- Please refer to Note 24 of the Financial Statements.
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- 9.6 The company should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.
- The annual reviews of the remuneration are carried out by the RC to ensure that the remuneration of the executive director and key management personnel commensurate with their performance and that of the Group, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board.
- The remuneration paid to the executive director and key management personnel comprises base/fixed salary component and variable components such as share plans (ESOS and PSP), bonus and other benefits. The individual's entitlement for the variable component is determined based on their personal performance and the Group's financial performance, principally the net profit before tax. These performance objectives are chosen for their objectivity and ease of measurement.
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CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

Guidelines Of The Code

10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).

Grand Banks Corporate Governance Practices

Management provides Board members with management accounts on a monthly basis to ensure that Board members are kept apprised and being presented with a balanced and understandable assessment of the Company's performance, position and prospects.

The Board in turn provides shareholders with a balanced and understandable assessment of the Group's performance, position and prospects through its annual reports, quarterly and full year financial results announcements as well as timely announcements on developments in the Group's businesses.

Quarterly and full year financial results of the Company are reviewed by the Board before dissemination to shareholders via SGXNET. Quarterly results are released within 45 days of the reporting period while the full year results are released within 60 days of the financial year end via SGXNET.

The Company's Annual Report and Notice of AGM is despatched to shareholders at least 14 days prior to the AGM and is also made available to shareholders on request.

CORPORATE GOVERNANCE REPORT

10.2 The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.

The Board reviews compliance issues, if any, with management on a quarterly basis.

The Company periodically engages external consultants to help to ensure its compliance with legislative and regulatory requirements is satisfactory.

In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to shareholders in its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

For the year under review, the CEO and the CFO, have provided a written assurance to the Board on the integrity of the Group's financial statement. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems in place, including financial, operational, compliance and information technology controls. This is based on internal controls maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the various Board Committees and the Board.

10.3 Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.

Management provides the Board with a continuous flow of relevant information on the Group on a timely basis so that the Board can effectively perform its duties. Management also provides to the Board timely and comprehensive updates on the Group's business activities and financial performance, including analysis of the Group's quarterly financial performances as compared to the approved budget and prior years' performances (quarter-to-quarter and year-to-date basis), so that the Board may effectively perform its duties. On a monthly basis, Board members are provided with summary financial data and other operating information for effective monitoring and decision making.

CORPORATE GOVERNANCE REPORT

Risk Management And Internal Controls

Principle 11: *The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

Guidelines Of The Code

11.1 The Board should determine the company's level of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.

Grand Banks Corporate Governance Practices

With the help of the external firm, Virtus Assure Pte Ltd, serving as the independent internal auditor ("IA"), the Group has designed an enterprise risk management ("ERM") framework to monitor, manage and build awareness within the Group of the various risks to which the Group is exposed. The Board also reviews the Group's business and operational activities to identify areas of significant business risk as well as appropriate measures to control and mitigate these risks within the Group's policies and business strategies. The IA is retained to perform the Group's internal audit function and continues to update the Group's enterprise risk profile by facilitating management risk self-assessment to generate an updated risk register to be used by the RMAC to monitor measures implemented to mitigate the risks identified. The IA also reviews the manner in which the Group manages such risks. The objective of the risk assessment is to identify and assess risks which include key financial, operational, strategic, compliance and information technology risks as well as to evaluate the internal control systems.

The RMAC is regularly updated on the Group's risk management program and internal control systems. The RMAC reports all material updates to the Board.

CORPORATE GOVERNANCE REPORT

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- 11.2 The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.
- The internal controls provide reasonable but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. Reviews and tests of the internal control procedures and systems are carried out by the IA. The Board is thus satisfied with the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, strategic, compliance and information technology controls.
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- 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.
- The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:
- (a) That the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
 - (b) Regarding the effectiveness of the company's risk management and internal control systems.
- Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews carried out by the Management, the various Board Committees and the Board, the Board with the concurrence of the RMAC, is of the opinion that the Group's internal controls, addressing key financial, operational, compliance and information technology controls and risk management systems, are adequate and effective as at 30 June 2018.
- The Board has received assurance from the CEO and CFO.
- The Board is of the opinion that financial records of the Group have been properly maintained and financial statements give a true and fair view of the Group's operation and finances. The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control systems.
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- 11.4 The Board may establish a separate Board Risk Committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.
- The RMAC has the responsibility of overseeing the Group's risk management framework and policies. The terms of reference for the RMAC was adopted in FY2015 to reflect the Revised Guidelines for Audit Committees released by the Monetary Authority of Singapore.
- The RMAC conducts review of the Group's risk management framework and policies on a regular basis and reports all material updates/findings to the Board. Hence the Board is of the view that it would not be necessary to establish a separate risk committee to oversee and monitor the Group's risk management framework and policies as recommended under Guideline 11.4 of the Code.
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CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 12: *The Board should establish an Audit Committee (“AC”) with written terms of reference which clearly set out its authority and duties.*

Guidelines Of The Code

12.1 The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors.

The Board should disclose in the company’s Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.

12.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.

12.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

12.4 The duties of the AC should include:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company’s financial performance;

Grand Banks Corporate Governance Practices

The RMAC comprises four members: three independent directors and one non-executive non-independent director, all of whom are appropriately qualified to discharge their responsibilities and functions under the RMAC’s terms of reference approved by the Board. The RMAC met five times during FY2018.

Please refer to Table A for composition of the RMAC.

The RMAC members are appropriately qualified to discharge their responsibilities. Three members are trained in accounting and financial management. All members are familiar with financial statements. In addition, the RMAC Chairman is a Chartered Accountant by training.

The RMAC has unrestricted access to information pertaining to the Group, to both internal and external auditors and the full cooperation from the Management team to enable it to properly discharge its responsibilities. The RMAC has full discretion to invite any executive officer to attend its meetings and has access to other outside resources to enable it to perform its duties. The RMAC has explicit authority to investigate any matter within its terms of reference.

The RMAC meets on a quarterly basis to review the quarterly financial results of the Group, the audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the RMAC reviews and discusses with Management the accounting principles, estimates and judgement that were applied for adequate provisioning and disclosure, including critical accounting policies and any significant changes that would have an impact on the Group’s financials. The RMAC also considers the reports from the external auditors, including their findings on the key areas of audit focus.

CORPORATE GOVERNANCE REPORT

The significant matters that were discussed with Management and the external auditors, have been included as key audit matters (KAMs) in the audit report for the financial year ended 30 June 2018. These significant matters were i) impairment assessment of non-financial assets including goodwill and other intangible assets, and ii) accounting for construction contracts. Please refer to pages 58 and 59 of this Annual Report. RMAC's comments on the KAMs are listed below.

KAM 1: Impairment of non-financial assets, including goodwill and other intangible assets**RMAC's Comments**

The Group performs an annual impairment assessment on non-financial assets including goodwill, which requires determination of the recoverable amount of cash generating unit (CGU) based on value-in-use. This requires Management to make significant judgements and estimates with regards to the computation of future cash flows, use of discount rates and other assumptions.

The RMAC reviewed the assessments by Management and the external auditors, and queried the appropriateness of the assumptions made, including the consistent application of Management's methodology, the achievability of the business plans, assumption in relation to terminal growth in the businesses and the discount rates used. Considerable judgement was required in the preparation of the business plans. Having completed several new yacht models in FY2017 and FY2018, the Management had better grasp of the future revenue and gross profit margins.

The RMAC also reviewed the stress testing of Management's value-in-use calculation to ensure there is sufficient headroom over the carrying value of the CGU. The RMAC was satisfied with the appropriateness of the analyses performed by Management and had concurred that as of 30 June 2018, no impairment of the non-financial assets including goodwill allocated to the CGU was required.

CORPORATE GOVERNANCE REPORT

KAM 2: Accounting for construction contracts

RMAC's Comments

The RMAC reviewed the Management's approach to the recognition of revenue, particularly revenue from sales of new yachts which is recognised progressively as construction progresses with reference to the percentage-of-completion method which involved the Management's assessment of the stage of completion of the yachts and the estimated total costs to completion.

Having built several new yacht models in financial years ended 30 June 2017 and FY2018, the Management was able to estimate fairly accurately the labour hours and material costs to build these new yachts. Management's estimates of labour hours and material costs were continually being refined as more production data became available and had improved in accuracy.

The RMAC concurred with the Management's methodology of revenue recognition as described in the Group's significant accounting policies.

- (b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);

The RMAC evaluates the adequacy and effectiveness of the internal controls including financial, operational, compliance and information technology controls and regulatory compliance of the Group through discussion with Management and both its internal and external auditors.

- (c) reviewing the effectiveness of the company's internal audit function;

The RMAC also reviews the Group's compliance with the Listing Manual of the SGX-ST and Code of Corporate Governance including interested person transactions and whistle-blowing activities, if any.

The RMAC discusses the significant internal audit observations, as well as Management's responses and actions to correct any deficiencies, with Management and the external auditors. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.

CORPORATE GOVERNANCE REPORT

(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and

The RMAC reviews the following: the scope of the independent auditors' audit plan; the cost-effectiveness of the independent audit; the independent auditors' report and the significant financial reporting issues and judgements to assess the integrity of the Group's financial statements.

The RMAC also reviews the independence and objectivity of the external auditors.

(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

The RMAC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.

12.5 The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.

The RMAC meets with the internal auditor and the external auditors separately, at least once a year, without the presence of the Management to review any areas of audit concern that might have arise in the course of their audit.

12.6 The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report.

The RMAC undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as by reviewing the non-audit services provided and the fees paid to them. It is the opinion of the RMAC that the non-audit services provided by the external auditors do not affect the independence of the external auditors. The RMAC is satisfied with their independence and recommends the re-appointment of the external auditors at the AGM of the Company.

Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.

The breakdown of the fees paid in total to the external auditors for audit and non-audit services is shown on page 95.

12.7 The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

The Group's employee handbook has sections on Ethics and Business Principles against Corruption that sets the guidelines regarding appropriate corporate behavior and business ethics within the Group. The Group has also established a whistle-blowing policy which provides the channel for employees of the Group to raise, in good faith and in confidence, any concerns about improprieties in financial reporting or other matters. Employees are encouraged to contact the directors (including independent directors) directly via phone or emails if they have any concerns. Directors' contact details have been made available to the employees. There were no reported incidents pertaining to whistle-blowing in FY2018.

The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.

CORPORATE GOVERNANCE REPORT

	The RMAC has reviewed the Code of Ethics and Business Principles and the whistle-blowing policy and is satisfied with their appropriateness.
12.8 The Board should disclose a summary of all AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	Please refer to Guideline 12.4(a) to 12.4(e) above for a summary of the RMAC's activities during FY2018. The RMAC and Management have continuously kept themselves updated on the changes to accounting standards, Listing Manual of the SGX-ST and other regulations which could have a direct impact on the Group's business and financial statements by attending relevant seminars conducted by Singapore Institute of Directors, the Big Four accounting firms, SGX and other organisations.
12.9 A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.	None of the RMAC members is a former partner or director of the Company's existing auditing firm.

Internal Audit

Principle 13: *The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

Guidelines Of The Code

13.1 The Internal Auditor's ("IA") primary line of reporting should be to the AC Chairman although the IA would also report administratively to the CEO.

The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The IA should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

Grand Banks Corporate Governance Practices

The IA reports directly to the RMAC.

The RMAC approves the hiring, removal, evaluation and the fees of the IA. The IA has unfettered access to all the Group's documents, records, personnel and the RMAC.

CORPORATE GOVERNANCE REPORT

<p>13.2 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff.</p>	<p>The internal audit function is outsourced to an external firm, Virtus Assure Pte. Ltd..</p> <p>The RMAC has reviewed the effectiveness of the internal audit firm and is satisfied that the internal audit firm is adequately resourced and staffed with qualified and experienced professionals with the relevant experience to carry out the internal audit function of the Group adequately.</p>
<p>13.3 The internal audit function should be staffed with persons with the relevant qualifications and experience.</p>	<p>The IA is a Certified Internal Auditor and is guided by The Standards of The Institute of Internal Auditors in carrying out the internal audit function of the Group.</p>
<p>13.4 The IA should carry out its function according to the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.</p>	<p>Please refer to the Group's practices in Guideline 13.3.</p> <p>The IA is guided by The Standard of The Institute of Internal Auditors in carrying out the internal audit function of the Group. In addition, the IA's risk assessment approach is based on the risk framework of The Committee of Sponsoring Organizations of Treadway Commission ("COSO").</p>
<p>13.5 The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.</p>	<p>The RMAC has reviewed and determined that the internal audit firm has met or exceeded its obligations under the terms of engagement. The internal audit firm reports to the RMAC and has unrestricted, direct access to the RMAC. The RMAC reviews and approves the annual internal audit plan as well as reviews the results of the regular audits including the monitoring of the implementation of the improvements required on internal control weaknesses identified. The Board is satisfied with the adequacy of the internal audit function and is confident it has an appropriate standing within the Group, is adequately resourced and is independent of the activities it audits.</p>

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

Guideline Of The Code

14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.

14.2 Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.

Grand Banks Corporate Governance Practices

The Company has adopted quarterly results reporting since the quarter ended 31 December 2008.

In line with the Group's disclosure obligations pursuant to the SGX-ST Listing Rules and the Companies Act, the Board's policy is to provide its shareholders with a timely and accurate disclosure regarding the Group's business developments, financial performance and any other updates/changes which would have a material impact on the share price or value of the Company.

The Company ensures that shareholders have the opportunity to participate effectively in and vote at the general meetings of shareholders. Copies of the Annual Report, the Circular and the Notices of the AGM and/or Extraordinary General Meetings ("EGM"), where applicable, are sent to every shareholder of the Company, informing them of the rules and voting procedures that govern the general meetings. The Notices of the general meetings are also advertised in the newspapers and announced via SGXNET.

All AGMs and EGMs of the Company are held at venues that are conveniently located and where public transportation is easily accessible and at a convenient time at 10.00 a.m. on a weekday to encourage shareholder attendance. Microphones are placed conveniently in the meeting room to encourage participation by shareholders. Polling is conducted electronically for confidentiality and convenience.

The Company appoints a polling agent for general meetings. The polling agent explains the rules and voting procedures to shareholders at the general meetings.

CORPORATE GOVERNANCE REPORT

14.3 Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

The Company's Constitution do not place a limit on the number of proxies a shareholder can appoint.

Communication With Shareholders

Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

Guidelines Of The Code

15.1 Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.

Grand Banks Corporate Governance Practices

The Company has adopted quarterly results reporting since the quarter ended 31 December 2008.

In line with the Group's disclosure obligations pursuant to the SGX-ST Listing Rules and the Companies Act, the Board's policy is that all material and price sensitive information regarding the Company must be publicly released via SGXNET and be accessible to all shareholders simultaneously in an accurate, comprehensive and timely manner.

Quarterly results are released within 45 days of the reporting period while the full year results are released within 60 days of the financial year end via SGXNET.

Shareholders of the Company receive the Annual Reports and notices of AGMs, which are also advertised in the newspapers, at least 14 days prior to the AGMs. The Board encourages shareholders' participation at the AGMs and periodically communicates with shareholders through the course of the financial year.

Similarly, shareholders of the Company receive the circulars and notices of EGMs, which are also advertised in the newspapers, at least 14 days prior to the EGMs.

The voting results of all votes cast for or against each resolution as disclosed during the general meetings are announced via SGXNET after the conclusion of the general meetings.

CORPORATE GOVERNANCE REPORT

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- 15.2 Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.
- All material information on the performance and development of the Group and of the Company is disclosed in a timely, fair and transparent manner to shareholders via press releases, annual reports, shareholder circulars and general meetings. Presentations made at general meetings are also announced via SGXNET.
- The Company does not practise selective disclosure of material information.
- The Group makes all necessary disclosures to the public via SGXNET. The Group also maintains a comprehensive website accessible to the public which describes the Group's products and business among other items.
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- 15.3 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.
- Both Executive and Non-Executive Board members meet or speak with key shareholders regularly to gather their views and address their concerns.
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- 15.4 The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor road shows or Investors' Day briefing.
- Refer to the Group's Practices for Guideline 15.3.
- Both Executive and Non-Executive Board members meet or speak with key shareholders regularly to gather their views and address their concerns.
- The Company has hired an investor relations firm, WeR1 Consultants Pte. Ltd., to build relationship with shareholders, investor communities and other stakeholders and to organise analyst briefings, factory tour and other events for investors and press releases.
- Shareholders are also encouraged to share their views and feedbacks with the Company via its investor relations firm.
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- 15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.
- Payment of dividends will depend on the Group's earnings, financial position, results or operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.
- The Company has not paid any dividends in recent years because of its performance as well as the substantial funds the Group has invested in new product development and improvement to its Malaysia facilities, including the renewal of its leases. The Board is working towards determining and adopting a dividend payment policy in future, and endeavors to pay dividends as and when the Group's profits are sustainable.
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CORPORATE GOVERNANCE REPORT

The directors of the Company have recommended a first and final one-tier tax exempt dividend of S\$0.005 per ordinary share for the financial year ended 30 June 2018 to be approved by shareholders.

Conduct Of Shareholder Meetings

Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

Guidelines Of The Code

16.1 Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.

Grand Banks Corporate Governance Practices

All AGMs and EGMs of the Company are held in a downtown location where public transportation is easily accessible and at a convenient time at 10.00 a.m. on a weekday to encourage shareholder attendance. Microphones are placed conveniently in the meeting room to encourage participation by shareholders.

For greater transparency and fairness in the voting process, voting at all the Company's general meetings are conducted by poll. This allows all shareholders present or represented at the meetings to vote on a one-share-one vote basis.

The Company's Constitution allows any shareholder, who is unable to attend the general meetings in person, to appoint one or more proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than 24 hours before the time appointed for poll). The proxy form is sent with the notice of general meetings to all shareholders.

The voting results of all votes cast for or against each resolution (including the respective percentages) are disclosed during the general meetings and the same will be announced via SGXNET after the conclusion of the general meetings.

The Company's Constitution only allows for shareholders to vote in via mail, electronic mail or facsimile and does not allow voting in absentia.

16.2 There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

All the resolutions at general meetings are each separately tabled as single item resolutions.

CORPORATE GOVERNANCE REPORT

<p>16.3 All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings.</p> <p>The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.</p>	<p>The Chairmen of the Board, RMAC, NC and RC are present at every AGM and/or EGM to assist the directors in addressing all queries raised by shareholders at the general meetings.</p> <p>The external auditors, KPMG LLP, and internal auditor, Virtus Assure Pte Ltd, are also invited to attend the AGM to address any shareholders' queries about the conduct of their audits.</p>
<p>16.4 Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders to the agenda of the meetings, and responses from the Board and Management, and to make these minutes available to shareholders upon their requests.</p>	<p>The Company prepares minutes and Q & A of general meetings and makes them available upon request by shareholders.</p>
<p>16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.</p>	<p>The Company has employed electronic polling. All resolutions are put to vote by poll and the detailed results of the poll are announced at the meetings as well as in SGXNET.</p>

OTHER CORPORATE GOVERNANCE MATTERS

Dealing in Securities

(Listing Manual Rule 1207 (19))

The Company has adopted an internal code of best practices on dealings in securities to provide guidance to the officers, including directors, of both the Company and its subsidiaries with regard to dealings in the Company's securities.

Directors and senior executives of the Group are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are also reminded regularly not to deal in the Company's shares during the period commencing two weeks before the announcement of the Group's interim results and one month before the announcement of the Group's annual results and ending on the date of announcement of those results. Such reminders include a computer generated email sent to all directors and senior executives on a quarterly basis. Directors and senior executives are required to report to the Company Secretary whenever they deal in the Company's shares. The Company Secretary assists the RMAC and the Board in monitoring such share transactions and making the necessary announcements. Directors and senior executives are also reminded to be mindful of the laws on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading as determined by the Securities and Futures Act, the Companies Act and other appropriate regulatory authorities.

CORPORATE GOVERNANCE REPORT

“Directors and senior executives” include the following classes of employees:

- 1) All officers and directors;
- 2) All sales managers and those sales employees managing the independent dealers and brokers who sell the Group’s yachts;
- 3) All significant participants in the financial consolidation process;
- 4) Others with significant management responsibility whose decisions can materially impact the Company’s financial results; and
- 5) Certain administrative personnel who assist both the Company’s Chief Financial Officer and Company Secretary in preparing all public announcements and materials distributed to the Board of Directors.

Interested Person Transactions

(Listing Manual Rule 907 & 1207 (17))

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Listing Manual Rule 920.

Interested person transactions during the year were:

Name of Interested Person	Aggregate value of all interested person transactions during FY2018 (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) S\$’000	Aggregate value of all interested person transactions during FY2018 which are conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$’000
Mark Jonathon Richards – Lease of manufacturing facility in Berkeley Vale, Australia to a subsidiary by an entity controlled by him. The lease expires on 30 June 2020. The monthly rental amount of approximately S\$23,000, is based on independent valuation.	252	0

The above transactions have been reviewed by the RMAC of the Company, and the RMAC is of the view that the terms of the transactions are on normal commercial terms, and are not prejudicial to the interest of the Company and its minority shareholders.

CORPORATE GOVERNANCE REPORT

Material Contracts

(Listing Manual Rule 1207(8))

No material contracts of the Company or its subsidiaries involving the interests of the CEO or any Director or controlling shareholders existed at the end of the financial year or have been entered into since the end of the previous financial year other than that disclosed in Note 26 to the Financial Statements and Interested Person Transactions on this page. In addition, no Director or a related company with a Director has received a benefit from any contract entered into by the Group since the end of the previous financial year.

Use of Proceeds

(Listing Manual Rule 1207(20))

Not applicable

Table A

Name of Directors	Designation	RMAC	NC	RC	SC
Heine Askaer-Jensen	Chairman, Independent and Non-Executive Director	Member	Member	Chairman	Member
Basil Chan	Independent and Non-Executive Director	Chairman	Chairman	Member	–
Gerard Lim Ewe Keng	Non-Independent and Non-Executive Director	Member	Member	Member	–
Gary James Weisman	Independent and Non-Executive Director	Member	–	–	Chairman
Mark Jonathon Richards	Executive Director and CEO	–	–	–	Member

Name of Directors	Present Directorship in other listed companies	Other Principal Commitments	Past Directorship in listed companies held over the preceding three years
Heine Askaer-Jensen	Nil	Nil	Nil
Basil Chan	AEM Holdings Limited – Non-Executive Independent Director Global Invacom Group Limited – Non-Executive Independent Director Memories Group Limited – Non-Executive Independent Director	Nil	Yoma Strategic Holdings Ltd – Non-Executive Independent Director Singapore eDevelopment Limited – Non-Executive Independent Director SBI Offshore Limited – Non-Executive Independent Director
Gerard Lim Ewe Keng	Empire Resorts, Inc. – Non-Executive Director	Kien Huat Realty Sdn Bhd – General Manager	Nil
Gary James Weisman	Nil	Nil	Nil
Mark Jonathon Richards	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

Table B

Name of Directors	Board of Directors Meetings		RMAC Meetings		RC Meetings		NC Meetings		SC Meeting (established with effect from 8 February 2018)	
	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*
Heine Askaer-Jensen	5	4/5	5	4/5	2	1/2	1	1/1	0	0/0
Basil Chan	5	5/5	5	5/5	2	2/2	1	1/1	NA	NA
Gerard Lim Ewe Keng	5	5/5	5	4/5	2	2/2	1	1/1	NA	NA
Gary James Weisman	5	4/5	5	4/5	NA	NA	NA	NA	0	0/0
Mark Jonathon Richards	5	4/5	NA	NA	NA	NA	NA	NA	0	0/0

NA – Not applicable as he is not a member of the Committee.

* – The numerator denotes the number of meetings the director attended while the denominator denotes the number of meetings he could have attended. For example, 5/5 means the director attended five meetings out of five meetings he could have attended i.e. 100% attendance.

Table C

The Directors named below are retiring by rotation pursuant to Article 86 of the Company's Constitution and being eligible, the retiring Directors have given their consent for re-election at the Company's forthcoming AGM:		
Board Member	Date of appointment	Date of last election
Basil Chan	14 November 2011	26 October 2016
Gerard Lim Ewe Keng	21 February 2013	28 October 2015

Table D

The tables below show the remuneration bands of the Directors (including the CEO) and the top five key executives of the Group (who are not Directors or the CEO) as well as the approximate percentage breakdown of the remuneration for FY2018.

Remuneration of Directors (including the CEO)

Remuneration Band & Name of Directors	Base/Fixed Salary ⁽¹⁾	Share Plan	Bonus	Directors' Fees	Other Benefits	Total
	S\$	S\$	S\$	S\$	S\$	S\$
S\$750,000 to S\$1,000,000						
Mark Jonathon Richards	662,400	–	200,000	–	–	862,400
Below S\$250,000						
Heine Askaer-Jensen	–	–	–	63,667	–	63,667
Basil Chan	–	–	–	61,000	–	61,000
Gerard Lim Ewe Keng	–	–	–	46,000	–	46,000
Gary James Weisman	–	–	–	40,083	–	40,083

CORPORATE GOVERNANCE REPORT

Director fee schedule for:	FY2018	Proposed for FY2019
Board member:	S\$30,000	S\$35,000
Chairman of the Board: additional	S\$11,000	S\$13,000
Member of the RMAC:	S\$8,000	S\$9,000
Chairman of the RMAC: additional	S\$10,000	S\$11,000
Member of other Committees:	S\$4,000	S\$4,500
Chairman of other Committees: additional	S\$5,000	S\$5,500

Note:

(1) Inclusive of Central Provident Fund contributions, other defined contribution plans and other fixed monthly payments.

Remuneration of Top Five Key Management Personnel (who are not Directors or the CEO)

Remuneration Band & Name of Key Management Personnel	Base/Fixed Salary ⁽¹⁾	Share Plan ⁽²⁾	Bonus	Commission	Other Benefits ⁽³⁾	Total
S\$500,001 to S\$750,000						
Samuel Henry Compton	80%	–	19%	–	1%	100%
David Garth Northrop	60%	–	–	40%	–	100%
S\$250,000 to S\$500,000						
Paul Mark Wrench	71%	–	25%	–	4%	100%
Chiam Heng Huat	76%	3%	21%	–	–	100%
Allan James Bird	78%	–	9%	–	13%	100%

Total aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO) for FY2018 was S\$2,297,892.

Notes:

(1) Inclusive of Central Provident Fund contributions, other defined contribution plans and other fixed monthly payments.

(2) Amount of fair value of share options amortised in FY2018.

(3) Inclusive of benefits-in-kind.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2018.

In our opinion:

- (a) the financial statements set out on pages 62 to 111 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors in office at the date of this statement are as follows:

Heine Askaer-Jensen
Basil Chan
Gerard Lim Ewe Keng
Mark Jonathon Richards
Gary James Weisman

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Ordinary Shares		Share Options	
	Holdings at beginning of year	Holdings at end of year	Holdings at beginning of year	Holdings at end of year
The Company				
Heine Askaer-Jensen*	501,500	501,500	200,000	200,000
Basil Chan*	301,500	301,500	–	–
Gerard Lim Ewe Keng*	12,000	12,000	200,000	200,000
Mark Jonathon Richards*	11,025,400	11,025,400	1,350,000	1,350,000
Gary James Weisman*	275,000	275,000	–	–

* The Company's Articles of Association require each director to hold at least 1,000 shares.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 July 2018.

Except as disclosed under the "Share awards and share options" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

SHARE AWARDS AND SHARE OPTIONS

Grand Banks Performance Share Plan 2014 ("PSP") and Grand Banks Employee Share Option Scheme 2014 ("ESOS") were approved and adopted by its members at an Extraordinary General Meeting of the Company held on 8 October 2014. The PSP and the ESOS are based on the principle of pay for performance and is designed to enable the Company to reward, retain and motivate employees whose contributions are essential to the well-being and prosperity of the Group, to give recognition to outstanding employees who have contributed to the Group and to align the interests of the participants with the interests of shareholders.

The PSP and ESOS are administered by the Company's Remuneration Committee, which comprises two independent directors and one non-independent non-executive director. The Plan and the Scheme shall continue in force, at the discretion of the Remuneration Committee, subject to a maximum of ten years commencing 8 October 2014. Any awards and options made to participants prior to such expiry or termination will continue to remain valid.

Members of the Remuneration Committee are:

- Heine Askaer-Jensen (Chairman)
- Basil Chan
- Gerard Lim Ewe Keng

Other information regarding the PSP and ESOS are set out below:

- (i) 200,000 PSP granted by the Company to two executives on 2 March 2015 to take up unissued shares in the Company upon the vesting of two years' service condition from the grant date.
- (ii) 3,450,000 ESOS granted by the Company to five executives (including executive directors) and four non-executive directors on 2 March 2015 to take up unissued shares in the Company.
- (iii) 300,000 ESOS granted by the Company to one executive on 5 July 2017 to take up unissued shares in the Company.

At the end of the year, details of the ESOS plan on unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 July 2017	Options exercised	Options granted	Options outstanding at 30 June 2018	Options exercisable at 30 June 2018	Exercise period
2/3/2015(A)	\$0.228	600,000	–	–	600,000	600,000	2/3/2017 to 1/3/2020
2/3/2015(A)	\$0.228	2,400,000	–	–	2,400,000	2,400,000	2/3/2017 to 1/3/2025
5/7/2017(B)	\$0.280	–	–	300,000	300,000	–	5/7/2019 to 4/7/2027
		<u>3,000,000</u>	<u>–</u>	<u>300,000</u>	<u>3,300,000</u>	<u>3,000,000</u>	

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

The information regarding ESOS are set out as follow:

(A)

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. The exercise price of the option is \$0.228 per share.

DIRECTORS' STATEMENT

- The 3,450,000 options granted on 2 March 2015 were issued at market price which was the average of the last dealt prices of the Company's shares over the five consecutive market days immediately preceding the grant date. 250,000 options granted previously were forfeited in 2016 due to the cessation of employment of one executive director and one non-executive director.
- The options can be exercised 2 years after the date of grant, and all options have vested as at 30 June 2018.
- All options are to be settled by physical delivery of shares.
- The options granted to key management personnel expire after ten years and options granted to non-executive directors expire after five years.

(B)

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. The exercise price of the option is \$0.28 per share.
- The 300,000 options granted on 5 July 2017 were issued at market price which was the average of the last dealt prices of the Company's shares over the five consecutive market days immediately preceding the grant date.
- The options can be exercised 2 years after the date of grant.
- All options are to be settled by physical delivery of shares.
- The options granted to key management personnel expire after ten years and options granted to non-executive directors expire after five years.

Details of options granted to directors of the Company under the Scheme are as follows:

Director	Exercise period	Option granted for financial year ended 30 June 2018	Aggregate options granted since commencement to 30 June 2018	Aggregate options exercised since commencement to 30 June 2018	Aggregate options forfeited/ expired since commencement to 30 June 2018	Aggregate options outstanding as at 30 June 2018
Heine Askaer-Jensen	2/3/2017 to 1/3/2020	–	200,000	–	–	200,000
Basil Chan	2/3/2017 to 1/3/2020	–	200,000	(200,000)	–	–
Gerard Lim Ewe Keng	2/3/2017 to 1/3/2020	–	200,000	–	–	200,000
Mark Jonathon Richards	2/3/2017 to 1/3/2025	–	1,350,000	–	–	1,350,000

Size of the PSP and ESOS

The total number of new shares which may be allotted and issued to the participants shall not exceed 15% of the total number of issued shares of the Company.

200,000 options have been granted to Mr. Gerard Lim Ewe Keng who is an associate of a controlling shareholder of the Company.

No individual recipients of awards or options have been granted more than 5% of the total number of awards or options that can be granted under the PSP and the ESOS.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

DIRECTORS' STATEMENT

RISK MANAGEMENT AND AUDIT COMMITTEE

The members of the Risk Management and Audit Committee during the year and at the date of this statement are as follows:

Basil Chan	(Chairman, Non-executive and independent director)
Heine Askaer-Jensen	(Non-executive and independent director)
Gerard Lim Ewe Keng	(Non-executive and non-independent director)
Gary James Weisman	(Non-executive and independent director)

The Risk Management and Audit Committee performs the functions specified by section 201B of the Companies Act, the SGX Listing Manual and the Code of Corporate Governance.

The Risk Management and Audit Committee has held five meetings since the last directors' statement. In performing its functions, the Risk Management and Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Risk Management and Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Risk Management and Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Risk Management and Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Risk Management and Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing the auditors for the Company and subsidiaries, the Company has complied with Rules 712 and 715 of the SGX Listing Manual.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Mark Jonathon Richards

Director

Heine Askaer-Jensen

Director

1 October 2018

INDEPENDENT AUDITORS' REPORT

Members of the Company
Grand Banks Yachts Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Grand Banks Yachts Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2018, the consolidated statement of income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 111.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

Impairment of non-financial assets, including goodwill and other intangible assets

Refer to Note 2.4 Critical Judgement (a): Review of Indicators of impairment for non-financial assets, Key sources of estimation uncertainty (b): Estimation of recoverable amount for cash generating unit containing goodwill, Note 5 – Property, plant and equipment and Note 7 – Intangible assets

The key audit matter	How the matter was addressed in our audit
<p>The Group records goodwill of \$7 million which arose from the acquisition of Palm Beach Motor Yacht Pty Ltd. The goodwill is allocated to the manufacturing and trading business segment, which represents the lowest level within the Group at which goodwill is monitored.</p> <p>Property, plant and equipment and intangible assets relate to the same cash generating unit (CGU) to which the goodwill is allocated to. They are included and assessed concurrently in the annual goodwill impairment.</p> <p>Management applies the value-in-use (VIU) method to determine the recoverable amount of the CGU. Key assumptions and estimates used in the value-in-use calculations include revenue growth rates, gross profit margins, terminal growth rate and the applicable discount rates. The determination of these assumptions involve judgement and is subject to estimation uncertainties.</p>	<p>Our procedures include the following:</p> <ul style="list-style-type: none"> • We evaluated management’s basis of determination and identification of the CGU within the Group. • We compared historical forecasts against historical performance to assess the reliability of management’s forecast process. • We assessed the key assumptions by comparing them with historical performance and future business plans. • We independently derived applicable discount rates from available industry data and compared these with that used by management. • We performed stress tests using a plausible range of key assumptions, and analysed the impact to the carrying amount. • We considered the adequacy of the Group’s disclosures in respect to the impairment testing, including the sensitivities of the recoverable amount to variations in assumptions.
<p>Findings:</p> <p>The Group has a reasonable basis for the determination of CGU for impairment testing purpose.</p> <p>We found that the historical actual performance for financial year ended 30 June 2018 exceeded historical forecast proposed by management.</p> <p>Overall, the results of our evaluation of the Group’s recoverable amount are consistent with management’s assessment.</p> <p>We found the disclosures to be in accordance with FRS 36 <i>Impairment of Assets</i>.</p>	

INDEPENDENT AUDITORS' REPORT

Accounting for construction contracts	
<p>Refer to Note 2.4 Critical Judgement (b): Revenue recognition, (c): Assessment of risk of foreseeable losses and total cost on construction contracts, Key sources of estimation uncertainty (d): Recognition of revenue using percentage of completion method, Note 3.11 Revenue recognition, Note 21 – Revenue and Note 10 – Contractual construction work-in-progress.</p>	
The key audit matter	How the matter was addressed in our audit
<p>The Group's largest revenue stream is derived from construction contracts. Revenue for such contracts are accounted for based on the stage of completion of individual contracts. The stage of completion is determined by reference to the labour hours incurred to date compared to the estimated total labour hours to complete each contract.</p> <p>Both the determination of the percentage of completion and the amount of profit to be recognised in the income statement involve judgement and are subject to estimation uncertainties. Such estimates include:</p> <ul style="list-style-type: none"> • Total labour hours of delivering the entire contract; • Budgeted total costs attributable to the percentage of work to be recognised in income statement; and • Foreseeable losses, if any. 	<p>Our procedures include the following:</p> <ul style="list-style-type: none"> • We tested the controls designed and applied by the Group over the preparation and authorisation of budgeted costs, absorption of the labour, materials and overhead costs, and accuracy and completeness over the labour hours incurred. • We assessed the reliability of management's estimation of the budgeted labour hours and budgeted costs by comparing the final outcomes of the contracts completed during the year to previous estimates of labour hours and costs of those contracts. • For a sample of contract work-in-progress, we assessed the appropriateness of percentage of completion determined and therefore the revenue, profit and contract work in progress recognised, by: <ul style="list-style-type: none"> • Assessing the adequacy of budgeted labour hours and budgeted contract costs by comparing them with the actual costs incurred to-date and the final outcomes of the completed contracts of the same model; • Where applicable, identifying any changes in assumptions and estimates applied in the budget from previous years and evaluated the reasons provided by management for the changes; • Examine the accuracy of actual hours incurred by validating to supporting documents; • Assessing the reasonableness of revenue/costs recognised in income statement with reference to the percentage of completion determined; and • Enquiring with management on the progress of construction to identify possible delays or cost overruns that may require revision in budgeted contract costs or provision for foreseeable losses. • We considered the adequacy of the Group's disclosure in describing the areas of judgement and estimation uncertainties involving revenue recognition and contract work-in-progress.
<p>Findings:</p> <p>We found that the budgeted labour hours and budgeted contract costs were overestimated by management. Management has corrected the budgeted labour hours and costs at year end. Thereafter, the result of our evaluation of the Group's revenue recognition is consistent with management's assessment.</p> <p>We found the disclosures to be compliant with FRS 11 <i>Construction Contracts</i>.</p>	

INDEPENDENT AUDITORS' REPORT

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Ong Chai Yan.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

1 October 2018

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2018

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-current assets					
Property, plant and equipment	5	29,957	21,073	–	–
Subsidiaries	6	–	–	38,016	40,101
Intangible assets	7	8,376	8,949	–	–
Deferred tax assets	8	5,024	1,203	–	–
		<u>43,357</u>	<u>31,225</u>	<u>38,016</u>	<u>40,101</u>
Current assets					
Inventories	9	22,295	16,172	–	–
Trade and other receivables	11	6,902	2,968	5,983	2,527
Prepayments	12	1,254	1,112	20	14
Current tax recoverable		–	144	–	–
Cash and cash equivalents	13	8,437	15,871	73	96
		<u>38,888</u>	<u>36,267</u>	<u>6,076</u>	<u>2,637</u>
Total assets		<u>82,245</u>	<u>67,492</u>	<u>44,092</u>	<u>42,738</u>
Current liabilities					
Trade and other payables	14	17,700	17,184	412	320
Provision for warranty claims	15	2,070	1,169	–	–
Interest bearing loan and borrowing	16	433	393	–	–
Deferred consideration	17	465	–	–	–
Current tax payables		212	252	–	–
		<u>20,880</u>	<u>18,998</u>	<u>412</u>	<u>320</u>
Non-current liabilities					
Deferred tax liabilities	8	669	936	–	–
Interest bearing loan and borrowing	16	2,037	2,343	–	–
Deferred consideration	17	2,628	–	–	–
		<u>5,334</u>	<u>3,279</u>	<u>–</u>	<u>–</u>
Total liabilities		<u>26,214</u>	<u>22,277</u>	<u>412</u>	<u>320</u>
Capital and reserves					
Share capital	18	43,045	43,045	43,045	43,045
Share-based compensation reserve	19	370	359	370	359
Foreign currency translation reserve	20	(26,235)	(27,577)	–	–
Accumulated profits/(losses)		38,851	29,388	265	(986)
Total equity		<u>56,031</u>	<u>45,215</u>	<u>43,680</u>	<u>42,418</u>
Total equity and liabilities		<u>82,245</u>	<u>67,492</u>	<u>44,092</u>	<u>42,738</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Revenue	21	83,492	58,701
Cost of sales		(62,424)	(48,173)
Gross profit		21,068	10,528
Selling and marketing expenses		(9,861)	(5,393)
Administrative expenses		(4,755)	(3,912)
Other operating expense, net		(680)	(576)
Total operating expenses		(15,296)	(9,881)
Profit from operations		5,772	647
Other non-operating income, net	22	291	428
Finance cost		(161)	(145)
Profit before tax	22	5,902	930
Tax credit/(expense)	23	3,561	(409)
Profit for the year attributable to owners of the Company		9,463	521
		2018	2017
		Cents	Cents
Earnings per share			
– Basic	25	5.14	0.28
– Diluted	25	5.11	0.28

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2018

	2018	2017
	\$'000	\$'000
Profit for the year	9,463	521
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation differences relating to financial statements of foreign subsidiaries	1,342	(863)
Other comprehensive income for the year, net of income tax	1,342	(863)
Total comprehensive income for the year attributable to owners of the Company	<u>10,805</u>	<u>(342)</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2018

	Note	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
Group						
At 1 July 2017		43,045	359	(27,577)	29,388	45,215
Total comprehensive income for the year						
Profit for the year		–	–	–	9,463	9,463
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries		–	–	1,342	–	1,342
Total other comprehensive income		–	–	1,342	–	1,342
Total comprehensive income for the year		–	–	1,342	9,463	10,805
Transactions with owners, recorded directly in equity						
Share-based payments	22	–	11	–	–	11
Total transactions with owners		–	11	–	–	11
At 30 June 2018		43,045	370	(26,235)	38,851	56,031

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2018

	Note	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
Group						
At 1 July 2016		42,999	323	(26,714)	28,867	45,475
Total comprehensive income for the year						
Profit for the year		-	-	-	521	521
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries		-	-	(863)	-	(863)
Total other comprehensive income		-	-	(863)	-	(863)
Total comprehensive income for the year						
		-	-	(863)	521	(342)
Transactions with owners, recorded directly in equity						
Issuance of ordinary shares pursuant to share options exercised	18	46	-	-	-	46
Share-based payments	22	-	90	-	-	90
Share-based plan settled in cash	24	-	(54)	-	-	(54)
Total transactions with owners						
		46	36	-	-	82
At 30 June 2017		43,045	359	(27,577)	29,388	45,215

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2018

	Note	Group	
		2018 \$'000	2017 \$'000
Cash flows from operating activities			
Profit after tax		9,463	521
Adjustments for:			
Depreciation of property, plant and equipment	5	3,283	2,914
Amortisation of intangible assets	7	134	136
Property, plant and equipment written off		135	1
Net allowance made for inventories obsolescence	9	588	144
Interest income		(39)	(75)
Interest expense		161	145
Provision for warranty claims		1,778	946
Fair valuation loss on debt securities held-for-trading		–	2
Equity-settled share-based compensation		11	36
Tax (credit)/expense		(3,561)	409
Unrealised foreign exchange gain		(217)	(304)
		<u>11,736</u>	<u>4,875</u>
Changes in working capital:			
Increase in inventories		(6,077)	(4,379)
(Increase)/Decrease in trade and other receivables		(3,605)	1,686
(Increase)/Decrease in prepayments		(93)	317
Increase in trade and other payables		366	4,174
		<u>2,327</u>	<u>6,673</u>
Cash generated from operations		2,327	6,673
Net income taxes paid		(244)	(656)
Warranty claims expended		(960)	(906)
		<u>1,123</u>	<u>5,111</u>
Net cash from operating activities			
Cash flows from investing activities			
Interest received		39	68
Proceeds from matured debt securities held-for-trading		–	300
Purchase of property, plant and equipment		(8,274)	(5,572)
		<u>(8,235)</u>	<u>(5,204)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Repayment of hire purchase liability		–	(20)
Interest paid		(157)	(141)
Proceeds from issue of share capital		–	46
Repayment of bank borrowings		(308)	(698)
		<u>(465)</u>	<u>(813)</u>
Net cash used in financing activities			
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of year		15,741	16,214
Effect of exchange rate changes on balances held in foreign currency		141	433
		<u>13</u>	<u>15,741</u>
Cash and cash equivalents at end of year	13	<u>8,305</u>	<u>15,741</u>

SIGNIFICANT NON-CASH TRANSACTION

Additions in property, plant and equipment includes \$4,252,000 of freehold land and buildings of which \$1,258,000 was paid in cash and \$3,041,000 to be settled over 6 years through promissory note issued to the seller. See Note 4 for details.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 1 October 2018.

1 DOMICILE AND ACTIVITIES

Grand Banks Yachts Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 274 Upper Bukit Timah Road #03-16, Singapore 588213.

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. See Note 6 to the financial statements for additional information on the subsidiaries.

The financial statements of the Group as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is also the Company's functional currency. The financial statements of the Company and its subsidiaries are measured in respective functional currencies determined by management. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Information about significant areas of critical judgements and estimation uncertainty are described below:

Critical judgement

a. Review of indicators of impairment for non-financial assets

The Group assesses whether there were any indicators of impairment for all non-financial assets except for inventories and deferred tax assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indication exist. In performing its review, the Group considers evidence of obsolescence or physical damage to the property, plant and equipment and changes to the expected usage to the property, plant and equipment. The review requires significant judgement given the uncertainty regarding the timing of economic recoveries in the countries where the Group sells its yachts.

b. Revenue recognition

Contract revenue and expenses are recognised in profit or loss by reference to the stage of completion of the contract activity at the reporting date when the outcome of a construction contract can be estimated reliably. Significant judgement is required in determining the triggering point of revenue recognition, which is when the inflow of economic benefits associated with the contracts is probable.

c. Assessment of risk of foreseeable losses and total cost on construction contracts

The Group conducts critical review of all its construction contracts regularly. Allowance is made where necessary to account for foreseeable losses where total costs to complete the contracts exceed the contract revenue. To determine the total costs, the Group monitors and reviews constantly the progress of all construction contracts. The review requires significant judgement in evaluating any potential risks and factors which may affect the estimation of the labour hours and materials needed to complete the yacht.

d. Recognition of deferred tax assets

The Group has potential tax benefits arising from unutilised tax losses, capital allowance and other temporary differences, which are available for set off against future taxable profits of its subsidiaries. Significant judgement is involved in determining the availability of future taxable profits against which the subsidiaries can utilise the tax benefits. Where the financial outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provision and recognised deferred tax assets of the subsidiaries in the period in which such determination is made.

e. Determination of cash-generating unit ("CGU")

The Group assessed its operations as one cash-generating unit because the Group makes collective decision in terms of operations of respective manufacturing facilities, with the goals of maximising the CGU's profitability. In performing the assessment of the determination of the cash-generating unit, the Group considers the independent cash inflows and the interdependencies of each subsidiaries' assets in generating revenue for the enlarged group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Critical judgement (Continued)

f. Impairment in investment in subsidiary

The carrying values of investments in subsidiaries are reviewed for impairment whenever there is any indication that the investment is impaired. This determination requires significant judgement. The Group's manufacturing and sales operations are integrated and generate interdependent cash flows, the impairment assessment for investments in subsidiaries is performed on the same CGU determined for purposes of assessing impairment of goodwill (see Note 7 and 2.4(e)).

Key sources of estimation uncertainty

a. Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 36 years (see Note 3.3). The carrying amount of the Group's property, plant and equipment are set out in Note 5. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

b. Estimation of recoverable amount for cash generating unit containing goodwill

When value-in-use calculations are undertaken, the Group estimates the expected future cash flows from the cash generating unit and choose a suitable discount rate in order to calculate the present value of these cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 7.

c. Measurement for provision for warranty claims

The provision recognised represents management's best estimate of the present value of the future cost required in the event that warranty claims arise. Management assesses the provision based on historical warranty data. Significant estimates and assumptions are made in determining the amount of warranty provision. The provisions recognised are periodically reviewed and updated based on the facts and circumstances available at the time. Movements in the provision for warranty claims are disclosed in Note 15.

d. Recognition of revenue using percentage of completion method

The Group recognises revenue on construction contract based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to the hours incurred to date and the estimated total hours for each contract. Significant estimates are required in determining the appropriate stage of completion by estimating the budgeted total hours and total cost to complete and, in estimating a reasonable profit margin for each contract for revenue and costs recognition. Revenue from construction contract is disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Key sources of estimation uncertainty (Continued)

e. Determination of net realisable value of stock boats and work-in-progress stock boats

The net realisable value of stock boats and work-in-progress stock boats is estimated by reference to recent selling prices for comparable boats in the market. However, where a reasonably possible range exists, such net realisable value estimated may not be the actual realisable value. Such uncertainties may significantly affect the net realisable value of inventories and there is a significant risk of resulting in a material adjustment to the carrying amounts of the stock boats and work-in-progress stock boats in future periods. The allowance made for stock boats and work-in-progress is disclosed in Note 9.

f. Measurement of allowance for inventories obsolescence

The Group reviews the inventories for their usability and indicators of obsolescence and provide allowance for inventory obsolescence when necessary to estimate the net realisable value of these inventories. This requires management to make estimates regarding the expected utilisation, level of demand and indicators of obsolescence based on past utilisation of similar inventories and their usage pattern. The allowance made for inventories obsolescence is disclosed in Note 9.

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Group's Risk Management and Audit Committee. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Further information about the assumptions made in measuring fair values is included in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used by the Group as set out below have been applied consistently to all periods presented in these financial statements, which addressed changes in accounting policies.

3.1 Basis of consolidation

Business combination

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the excess of the fair value of the consideration transferred over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration meets the definition of financial instrument is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the end of the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisitions were used.

Foreign currency differences are recognised in other comprehensive income (OCI), and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

The estimated useful lives are as follows:

Buildings on leasehold land	–	Shorter of remaining lease period or 28 years
Buildings on freehold land	–	10 to 27 years
Leasehold land	–	Remaining lease period of 36 years
Plant and machinery	–	10 years
Furniture, fixtures and equipment	–	3 to 5 years
Toolings and moulds	–	3 to 5 years
Motor vehicles and work boats	–	5 to 10 years

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Assets under construction are not depreciated. Depreciation commences when the assets are ready for use.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

3.4 Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets and goodwill (Continued)

Trademarks

Trademarks with finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses. Trademarks are recognised in profit or loss on a straight-line basis over their estimated useful life of 16 to 20 years.

Order backlog

Order backlog with finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses. Order backlog are recognised in profit or loss based on the realisation of sales from these backlog. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets comprise of loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, unbilled receivables on contract work-in-progress and trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

Non-derivative financial assets (Continued)

Loans and receivables (Continued)

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents exclude short-term deposits which are pledged to the bank as security and restricted cash which cannot be withdrawn on demand.

Non-derivative financial liabilities

The Group initially recognises all financial liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the date of acquisition. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group's non-derivative financial liabilities comprise trade and other payables and interest bearing loan and borrowing.

Share capital

Ordinary share are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

Non-financial assets (Continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

The amount of any allowance for inventories obsolescence are recognised as an expense in the period the loss occurs. The amount of any reversal of any allowance for inventories obsolescence is recognised as a reduction against the expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Construction contracts in progress

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. They are measured at cost plus profit recognised to date (see Note 3.11) less progress billings and recognised losses. Costs include all expenditure related directly to the construction of a specific yacht and an allocation of fixed and variable overheads incurred in the contract activities based on normal operating capacity. Construction contracts are presented either as unbilled receivables on contract work-in-progress or deferred income on contract work-in-progress.

Unbilled receivables on contract work-in-progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date and are included in trade and other receivables in the statement of financial position. Whereas, deferred income on contract work-in-progress represents payments received from customers which exceed the income recognised for contract work performed to date and are included in trade and other payables in the statement of financial position. Customer advances are presented as "advance payments received from customers before the related construction work is performed" and included in trade and other payables in the statement of financial position.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for warranty claims

The warranty provision represents the best estimate of the Group's contractual obligations at the balance sheet date. Under the terms of the revenue contracts with customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The warranty obligation is for 5 years. The Group's experience of the proportion of its products sold that requires repair or replacement differs from year to year as every contract is customised to the specification of the customers. The estimation of the provision for warranty expenses is based on the Group's past claim experience in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales.

3.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits (Continued)

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based compensation transactions

The grant date fair value of equity-settled share-based payment transactions granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the equity instruments. The amount recognised as an expense is adjusted to reflect the number of equity instruments for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of equity instruments that meet the related service conditions at the vesting date.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

3.11 Revenue recognition

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss by reference to the stage of completion of the contract activity at the reporting date.

The stage of completion is measured by reference to the hours incurred to date and the estimated total hours for each contract. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately in profit or loss.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus representing amounts due from customers is shown as 'unbilled receivables' and included under 'trade and other receivables'. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus representing amounts due to customers is shown as 'deferred income' and included under 'trade and other payables'. Amounts received before the related work is performed are shown as 'Advance payments received from customers before the related construction work is performed' and included under 'trade and other payables'.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition (Continued)

Sale of stock boats and spare parts

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and other sales taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rendering of services

Revenue is recognised when services rendered to boats are completed.

Revenue from boat brokerage

Revenue is recognised when the brokerage deal is finalised.

3.12 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Tax (Continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.13 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.14 Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.15 Foreign currency gains and losses

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.16 Finance cost

Finance costs comprise interest expense on borrowings and are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.17 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise of share options grant to employees.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The results for operating segments are provided and reviewed regularly by the Group's CEO (the chief operating decision maker) to make recommendations or decisions about resources to be allocated to the segment and to assess its performance.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

3.19 Financial Guarantee Contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

4 ACQUISITION OF ASSETS

A subsidiary of the Company acquired 100% share capital of Stuart Yacht Corporation ('SYC') on 9 May 2018 for a consideration of \$4.3 million of which \$1.26 million was paid in cash and the remaining \$3.04 million is deferred.

Deferred consideration

The deferred consideration of \$3.04 million is financed by the seller, who is an independent third party and unrelated to the Group, through a secured six-year promissory note at 4% per annum. The note is secured on the shares of SYC (see note 17).

The assets acquired with the acquisition of SYC are as follows:

	2018
	\$'000
Cash	1
Inventory	46
Freehold land	2,734
Buildings	1,518
Total	<u>4,299</u>

The Group engaged an external valuer, who is a state certified general real estate appraiser to assess the fair value of the freehold land and buildings acquired.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

5 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings on freehold land*		Buildings on leasehold land		Leasehold land**	Plant and machinery	Furniture, fixtures and equipment	Toolings and moulds	Motor vehicles and work boats	Assets under construction	Total
	\$'000	land*	\$'000	land							
Cost											
At 1 July 2016	-	-	9,600	-	8,357	5,044	4,644	25,417	175	1,554	54,791
Additions	-	-	1,391	-	-	654	1,316	73	101	2,037	5,572
Disposal	-	-	-	-	-	-	(5)	-	(24)	-	(29)
Reclass	-	-	-	-	-	111	-	2,854	-	(2,965)	-
Write-off	-	-	-	-	-	-	(2)	-	-	-	(2)
Translation adjustment	-	-	(425)	-	(366)	(226)	(176)	(691)	(4)	(58)	(1,946)
At 30 June 2017	-	-	10,566	-	7,991	5,583	5,777	27,653	248	568	58,386
At 1 July 2017	-	-	10,566	-	7,991	5,583	5,777	27,653	248	568	58,386
Additions	1,518	2,734	1,394	-	-	688	1,176	60	-	3,745	11,315
Reclass	-	-	-	-	-	-	-	1,553	-	(1,553)	-
Write-off	-	-	(179)	-	-	(191)	(212)	-	-	(135)	(717)
Translation adjustment	26	50	595	-	433	286	276	1,016	7	83	2,772
At 30 June 2018	1,544	2,784	12,376	-	8,424	6,366	7,017	30,282	255	2,708	71,756

* See note 4 for asset acquisition during the year.

** Charged against bank borrowings see note 16.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Buildings on freehold land		Buildings on leasehold land		Leasehold land \$'000	Plant and machinery \$'000	Furniture, fixtures and equipment \$'000	Toolings and moulds \$'000	Motor vehicles and work boats \$'000	Assets under construction \$'000	Total \$'000
		\$'000	\$'000	\$'000	\$'000							
Accumulated depreciation and impairment losses												
At 1 July 2016		-	-	6,115	1,474	4,126	4,020	19,838	138	-	-	35,711
Charge for the year	22	-	-	68	183	57	262	2,322	22	-	-	2,914
Disposal		-	-	-	-	-	(5)	-	(24)	-	-	(29)
Write-off		-	-	-	-	-	(1)	-	-	-	-	(1)
Translation adjustment		-	-	(267)	(67)	(176)	(140)	(628)	(4)	-	-	(1,282)
At 30 June 2017		-	-	5,916	1,590	4,007	4,136	21,532	132	-	-	37,313
At 1 July 2017		-	-	5,916	1,590	4,007	4,136	21,532	132	-	-	37,313
Charge for the year	22	5	-	160	181	315	531	2,059	32	-	-	3,283
Write-off		-	-	(179)	-	(191)	(212)	-	-	-	-	(582)
Translation adjustment		-	-	327	90	231	200	932	5	-	-	1,785
At 30 June 2018		5	-	6,224	1,861	4,362	4,655	24,523	169	-	-	41,799
Carrying amounts												
At 1 July 2016		-	-	3,485	6,883	918	624	5,579	37	1,554	-	19,080
At 30 June 2017		-	-	4,650	6,401	1,576	1,641	6,121	116	568	-	21,073
At 30 June 2018		1,539	2,784	6,152	6,563	2,004	2,362	5,759	86	2,708	-	29,957

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Freehold land and buildings

The addition of freehold land and buildings relate to the assets acquired along with the acquisition of SYC amounts to \$4,252,000 (see Note 4).

Assets under construction

Assets under construction relate mainly to expenditures incurred for retooling existing moulds and construction of new moulds.

6 SUBSIDIARIES

	Company	
	2018 \$'000	2017 \$'000
Unquoted ordinary shares, at cost	21,726	16,902
Unquoted preference shares, at cost	15,222	12,810
Equity investments at cost	36,948	29,712
Amounts due from a subsidiary (non-current)	1,068	10,389
Total	<u>38,016</u>	<u>40,101</u>

During the financial year, a non-current amount due from a subsidiary of \$7,236,000 was capitalised as share capital.

The non-current amounts due from a subsidiary of \$1,068,000 (2017: \$10,389,000) 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.

No impairment of the amounts are required as at 30 June 2018 (2017: Nil) as the cost of investments are deemed to be recoverable based on the Group's results as one CGU (see Note 2.4(f)).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

6 SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, all of which are wholly-owned, are as follows:

	Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Company	
				2018 %	2017 %
+	GB Yachts Pte. Ltd.	The subsidiary carries out the Group's sales activities and provides certain management services to the Malaysia, United States and Australia subsidiaries.	Singapore	100	100
@	Grand Banks Yachts Sdn. Bhd.	The subsidiary operates the manufacturing plant in Malaysia and sells the manufactured yachts to the Singapore and Australia subsidiaries.	Malaysia	100	100
@	Grand Banks Yachts Ltd	The subsidiary carries out the Group's sales and marketing activities in the US. It also sells new and previously-owned yachts and is involved in brokerage sales in the US.	United States of America	100	100
#	Grand Banks Yachts Australia Pty Ltd	Inactive	Australia	100	100
@	Palm Beach Motor Yacht Co Pty Ltd	The subsidiary operates as a contract manufacturer for GBS in Australia. It also operates the manufacturing plant to sell to domestic customers.	Australia	100	100
#	Not required to be audited by law of country of incorporation.				
@	Audited by overseas affiliates of KPMG LLP.				
+	Audited by KPMG Singapore.				

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

7 INTANGIBLE ASSETS

		Goodwill	Club	Trademarks	Order	Total
		\$'000	memberships	\$'000	backlog	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Cost						
At 1 July 2016		6,725	65	2,354	459	9,603
Translation adjustment		384	1	126	28	539
At 30 June 2017		<u>7,109</u>	<u>66</u>	<u>2,480</u>	<u>487</u>	<u>10,142</u>
At 1 July 2017		7,109	66	2,480	487	10,142
Translation adjustment		(352)	2	(113)	(24)	(487)
At 30 June 2018		<u>6,757</u>	<u>68</u>	<u>2,367</u>	<u>463</u>	<u>9,655</u>
	Note	Goodwill	Club	Trademarks	Order	Total
		\$'000	memberships	\$'000	backlog	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated amortisation						
At 1 July 2016		–	65	484	459	1,008
Amortisation	22	–	–	136	–	136
Translation adjustment		–	1	20	28	49
At 30 June 2017		<u>–</u>	<u>66</u>	<u>640</u>	<u>487</u>	<u>1,193</u>
At 1 July 2017		–	66	640	487	1,193
Amortisation	22	–	–	134	–	134
Translation adjustment		–	2	(26)	(24)	(48)
At 30 June 2018		<u>–</u>	<u>68</u>	<u>748</u>	<u>463</u>	<u>1,279</u>
Carrying amounts						
At 1 July 2016		6,725	–	1,870	–	8,595
At 30 June 2017		<u>7,109</u>	<u>–</u>	<u>1,840</u>	<u>–</u>	<u>8,949</u>
At 30 June 2018		<u>6,757</u>	<u>–</u>	<u>1,619</u>	<u>–</u>	<u>8,376</u>

The Group holds trademarks for Grand Banks, Eastbay and Aleutian on a worldwide basis. These trademark are amortised to the profit or loss over an estimated useful life of 20 years.

Impairment tests for cash-generating units containing goodwill

Goodwill arose from the acquisition of PBM. For the purpose of impairment testing, goodwill of \$6,757,000 (2017: \$7,109,000) is allocated to the manufacturing and trading business segment which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amount of a cash-generating unit is determined based on value-in-use determined by discounting the future cash flows to be generated from the continuing use of the cash-generating unit. Cash flows projection used in the value-in-use calculation was based on a three-year (2017: three-year) financial budget approved by management. Cash flows beyond the three-year period (2017: three-year period) are extrapolated at zero terminal value growth rate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

7 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for cash-generating units containing goodwill (Continued)

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources.

	Group	
	2018 %	2017 %
Compounded annual revenue growth rate	4.0	2.5
Average gross profit margin	24.8	24.5
Terminal value growth rate	0	0
Discount rate (pre-tax)	16.1	16.1

Based on the assumptions above, the estimated recoverable amount of the cash-generating unit exceeded its carrying amount. Accordingly, no impairment is required at the reporting date.

A reasonable change to the compounded revenue growth rate, discount rate and terminal value growth rate would not cause the carrying amount to exceed the recoverable amount.

8 DEFERRED TAX (ASSETS) AND LIABILITIES

Deferred tax (assets) and liabilities are attributable to the following:

	Assets		Liabilities	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Group				
Property, plant and equipment	–	–	669	385
Intangible assets	–	–	–	551
Provisions	(221)	(211)	–	–
Tax losses and capital allowance	(4,803)	(992)	–	–
Deferred tax (assets)/liabilities	(5,024)	(1,203)	669	936

Movements in temporary differences of deferred tax assets and liabilities during the year:

	At 1 July 2016 \$'000	Recognised in profit or loss (Note 23) \$'000	Translation adjustment \$'000	At 1 July 2017 \$'000	Recognised in profit or loss (Note 23) \$'000	Translation adjustment \$'000	At 30 June 2018 \$'000
	Group						
Deferred tax (assets)/ liabilities							
Property, plant and equipment and intangible assets	925	(41)	52	936	(227)	(40)	669
Provisions	(319)	124	(16)	(211)	(20)	10	(221)
Tax losses and capital allowance	(939)	(95)	42	(992)	(3,689)	(122)	(4,803)
Net deferred tax (assets)/liabilities	(333)	(12)	78	(267)	(3,936)	(152)	(4,355)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

8 DEFERRED TAX (ASSETS) AND LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018 \$'000	2017 \$'000
Deductible temporary differences	–	4,038
Unutilised tax losses	5,871	21,864
Unutilised capital allowances	–	4,078
	5,871	29,980

The unutilised tax losses and capital allowances are subject to agreement by the tax authorities and do not expire under current tax legislation. Deferred tax assets have been recognised in respect of these items to the extent that it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

9 INVENTORIES

	Group	
	2018 \$'000	2017 \$'000
Raw materials and components	9,564	9,413
Allowance for inventory obsolescence	(2,393)	(2,117)
	7,171	7,296
Stock boats	2,836	4,885
Allowance for inventory obsolescence	(204)	–
	2,632	4,885
Work-in-progress for stock boats	12,492	3,991
Total	22,295	16,172

In 2018, changes in raw materials and components, stock boats and work-in-progress included in cost of sales amounted to \$58,788,015 (2017: \$45,600,900).

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 inventory 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

10 CONTRACTUAL CONSTRUCTION WORK-IN-PROGRESS

	Note	Group	
		2018 \$'000	2017 \$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date		13,070	27,995
Progress billings		(16,681)	(31,454)
		<u>(3,611)</u>	<u>(3,459)</u>
Presented as:-			
Unbilled receivables on contract work-in-progress	11	1,125	2,496
Deferred income on contract work-in-progress	14	(4,736)	(5,955)
		<u>(3,611)</u>	<u>(3,459)</u>

11 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade receivables		5,595	16	-	-
Unbilled receivables on contract work-in-progress	10	1,125	2,496	-	-
Refundable deposits		155	124	-	-
Interest receivable		-	24	-	-
Other receivables		27	308	-	-
Dividend receivables		-	-	3,211	-
Amounts due from subsidiaries (non-trade)		-	-	2,772	2,527
		<u>6,902</u>	<u>2,968</u>	<u>5,983</u>	<u>2,527</u>

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.

The Group's credit and currency risks and impairment losses for trade and other receivables are disclosed in Note 28.

12 PREPAYMENTS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Payments in advance for purchases of raw materials and components	720	771	-	-
Prepaid operating expenses	534	341	20	14
	<u>1,254</u>	<u>1,112</u>	<u>20</u>	<u>14</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash and bank balances	2,965	3,716	73	96
Short-term deposits	5,472	12,155	–	–
Cash and cash equivalents in the statements of financial position	8,437	15,871	73	96
Deposits pledged	(132)	(130)	–	–
Cash and cash equivalents in the statement of cash flows	8,305	15,741	73	96

Deposits pledged represent bank balances of a subsidiary pledged as security to obtain bank guarantees.

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 365 days (2017: 5 to 365 days) and earn interest at rates generally higher than those earned by cash and bank balances.

14 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade payables		4,555	3,607	–	–
Refundable deposit		–	340	–	–
Accrued operating expenses		6,218	5,552	412	320
Financial liabilities		10,773	9,499	412	320
Deferred income on contract work-in-progress	10	4,736	5,955	–	–
Advance payments received from customers before the related construction work is performed		2,191	1,730	–	–
		17,700	17,184	412	320

15 PROVISION FOR WARRANTY CLAIMS

	Note	Group	
		2018 \$'000	2017 \$'000
Beginning of the year		1,169	1,181
Provision made during the year	22	1,778	946
Claims expended during the year		(960)	(906)
Translation adjustment		83	(52)
End of the year		2,070	1,169

The provision for warranty is set up to cover the estimated liability in respect of warranty claims for the sale of completed yachts. The provision is based on historical warranty claims for the past 4 years. The Group expects to incur the liability over the next year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

16 INTEREST BEARING LOAN AND BORROWING

	Group	
	2018 \$'000	2017 \$'000
Secured bank loan		
– Current	433	393
– Non-current	2,037	2,343
	<u>2,470</u>	<u>2,736</u>

As at 30 June 2018, a subsidiary of the Group has bank borrowings of \$2,470,000 (2017: \$2,736,000). The bank loan is denominated in Malaysia Ringgit and is secured over the leasehold land of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia, which has a carrying amount of \$6,563,000 (2017: \$6,401,000) (see Note 5) and corporate guarantee provided by the Company to the bank. 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 secured bank loans bear an interest rate ranging from 5.20% to 5.45% (2017: 5.15% to 5.35%) per annum and are repayable between year 2018 to 2023 (2017: 2017 to 2023). Interest rates are repriced within the year.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Note	Liabilities		
		Interest bearing loan and borrowings \$'000	Deferred consideration \$'000	Total \$'000
Restated balance at 1 July 2017		2,736	–	2,736
Changes from financing cash flows				
Repayments of term loans		(308)	–	(308)
Interest paid		(152)	(5)	(157)
Total changes from financing cash flows		(460)	(5)	(465)
The effect of changes in foreign exchange rates		42	52	94
Other changes				
Liability-related				
Acquisition of assets of Stuart Yacht Corporation	4	–	3,041	3,041
Interest expense		152	5	157
Total liability-related other changes		152	3,046	3,198
Balance at 30 June 2018		<u>2,470</u>	<u>3,093</u>	<u>5,563</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

17 DEFERRED CONSIDERATION

	Group	
	2018 \$'000	2017 \$'000
Secured promissory note		
– Current	465	–
– Non-current	2,628	–
	3,093	–

On 9 May 2018, one of the subsidiaries issued a promissory note to the seller for the acquisition of assets of 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.

18 SHARE CAPITAL

	Note	2018		2017	
		Number of shares '000	\$'000	Number of shares '000	\$'000
Fully paid:					
Beginning of the year		184,234	43,045	184,034	42,999
Issue of ordinary shares	24	–	–	200	46
End of the year		184,234	43,045	184,234	43,045

A holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per 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 payout 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.

19 SHARE-BASED COMPENSATION RESERVE

The share-based compensation reserve comprises the cumulative value of services received from employees recorded on grant of equity settled share options and share awards. The expense for service received is recognised over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

20 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

21 REVENUE

	Group	
	2018 \$'000	2017 \$'000
Revenue from construction contracts	71,416	49,076
Revenue from boat brokerage	2,259	1,657
Rendering of services	1,006	74
Sales of stock boats	8,293	7,615
Sales of parts	518	279
	83,492	58,701

22 PROFIT BEFORE TAX

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

	Note	Group	
		2018 \$'000	2017 \$'000
Wages, salaries and other employee benefits		25,424	21,320
Contributions to defined contribution plans, included in wages and salaries related costs		1,461	1,232
Equity-settled share-based compensation, included in wages and salaries related costs		11	90
Net allowance made for inventories obsolescence	9	588	144
Property, plant and equipment written off	5	135	1
Depreciation of property, plant and equipment	5	3,283	2,914
Amortisation of intangible assets	7	134	136
Provision for warranty claims	15	1,778	946
Selling and marketing expenses – advertising		648	209
Selling and marketing expenses – boat demonstrations, exhibition and events		1,989	1,275
Auditors' remuneration			
– auditors of the Company		223	174
– overseas affiliates of KPMG LLP		104	95
Non-audit fees paid to:			
– auditors of the Company		40	54
– overseas affiliates of KPMG LLP		6	4
Operating lease expenses		441	418
		441	418

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

22 PROFIT BEFORE TAX (CONTINUED)

	Note	Group	
		2018 \$'000	2017 \$'000
Other non-operating (income)/expense, net			
Foreign exchange loss/(gain), net		62	(93)
Interest income			
– bank		(39)	(73)
– others		–	(2)
Rental income		(94)	(137)
Fair valuation loss on debt securities held-for-trading		–	2
Government subsidy		–	(79)
Sundry income		(240)	–
Others		20	(46)
		<u>(291)</u>	<u>(428)</u>

23 TAX (CREDIT)/EXPENSE

	Group	
	2018 \$'000	2017 \$'000
Current tax		
Current year	431	440
Over provision in prior years	(56)	(19)
	<u>375</u>	<u>421</u>
Deferred tax		
Origination and reversal of temporary differences	(1,324)	505
Recognition of tax effect of previously unrecognised tax losses and capital allowance	(2,612)	(706)
Under provision in prior years	–	189
	<u>(3,936)</u>	<u>(12)</u>
Tax (credit)/expense	<u>(3,561)</u>	<u>409</u>
Reconciliation of effective tax rate		
Profit before tax	<u>5,902</u>	<u>930</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	1,383	544
Adjustments:		
Non-deductible expenses	231	43
Non-taxable income	(76)	–
Deferred tax assets not recognised	2	373
Utilisation of deferred tax assets previously not recognised	(1,242)	(105)
Recognition of previously unrecognised capital allowance and tax losses	(2,612)	(706)
Recognition of previously unrecognised temporary differences	(1,324)	–
(Over)/Under provision in prior years	(56)	170
Withholding tax	147	90
Others	(14)	–
	<u>(3,561)</u>	<u>409</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

24 SHARE-BASED COMPENSATION

Grand Banks Performance Share Plan 2014 ("PSP") and Grand Banks Employee Share Option Scheme 2014 ("ESOS") were approved and adopted by its members at an Extraordinary General Meeting of the Company held on 8 October 2014. The PSP and the ESOS are based on the principle of pay for performance and is designed to enable the Company to reward, retain and motivate employees whose contributions are essential to the well-being and prosperity of the Group, to give recognition to outstanding employees who have contributed to the Group and to align the interests of the participants with the interests of shareholders.

The Group has the following share-based payment arrangements:

PSP (equity-settled)

On 2 March 2015, the Group had granted award grants of 200,000 ordinary shares to two of its employees, with the fair value at grant date of \$0.23 per share. The share award has a two years' service condition.

During the financial year ended 30 June 2017, the Group charged \$15,000 to the profit or loss based on the fair value of the share awards at the grant date being expensed over the vesting period. The share awards have fully vested on 1 March 2017 and the Group released the shares award in cash of \$54,000.

ESOS (equity-settled)

On 2 March 2015, the Group granted 3,450,000 share options to eligible employees and directors to take up unissued shares in the Company which will vest after a two years-service period. The exercise period of the options is five years from the date of grant for non-executive directors and ten years from the date of grant for executive directors and executives.

The Group further granted 300,000 share options to one executive on 5 July 2017 to take up unissued shares in the Company with similar terms as the grant on 2 March 2015.

At the end of the year, details of the ESOS plan on unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 July 2017	Options exercised	Options granted	Options outstanding at 30 June 2018	Options exercisable at 30 June 2018	Exercise period
2018							
2/3/2015	\$0.228	600,000	–	–	600,000	600,000	2/3/2017 to 1/3/2020
2/3/2015	\$0.228	2,400,000	–	–	2,400,000	2,400,000	2/3/2017 to 1/3/2025
5/7/2017	\$0.280	–	–	300,000	300,000	–	5/7/2019 to 4/7/2027
		3,000,000	–	300,000	3,300,000	3,000,000	
2017							
2/3/2015	\$0.228	800,000	(200,000)	–	600,000	600,000	2/3/2017 to 1/3/2020
2/3/2015	\$0.228	2,400,000	–	–	2,400,000	2,400,000	2/3/2017 to 1/3/2025
		3,200,000	(200,000)	–	3,000,000	3,000,000	

No share options were exercised in 2018. The share price for share options exercised in 2017 was \$0.30.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

24 SHARE-BASED COMPENSATION (CONTINUED)

ESOS (equity-settled) (Continued)

Measurement of fair values

The fair value of the ESOS has been measured using binomial method at the grant date. Service conditions attached to the scheme were not taken into account in measuring fair value. Expected volatility is estimated by considering historical share price volatility particularly over the historical period commensurate with the expected term of the ESOS. The inputs used in the measurement of the fair values at grant date of the ESOS are as follows:

Fair value of ESOS and assumptions

	ESOS		
	10 years	5 years	10 years
Option term	10 years	5 years	10 years
Date of grant of options	5 July 2017	2 March 2015	2 March 2015
Fair value at grant date	\$0.0705	\$0.0703	\$0.0704
Share price at grant date	\$0.28	\$0.23	\$0.23
Exercise price	\$0.28	\$0.228	\$0.228
Expected volatility	46%	56%	56%
Option life (expected exercise period)	2.9 years	2.56 years	3.33 years
Expected dividends	1%	1%	1%
Risk-free interest rate (based on government bonds)	1.32%	1.14%	1.29%

During the year, the Group charged \$11,000 (2017: \$75,000) to the profit or loss based on the fair value of the share options at the grant date being expensed over the vesting period.

25 EARNINGS PER SHARE

	Group	
	2018	2017
Basic earnings per share		
Basic earnings per share is based on:		
Profit for the year (\$'000)	9,463	521
Number of shares outstanding at beginning of the year ('000)	184,234	184,034
Effect of shares issued during the year ('000)	–	200
Weighted average number of ordinary shares at the end of the year ('000)	184,234	184,234
Diluted earnings per share		
Diluted earnings per share is based on:		
Profit for the year (\$'000)	9,463	521
Number of shares outstanding at beginning of the year ('000)	184,234	184,034
Effect of shares issued during the year ('000)	–	200
Weighted average number of unissued ordinary shares from share options ('000)	3,300	3,000
Weighted average number of ordinary shares that would have been issued at average market price under the share options plan ('000)	(2,521)	(2,557)
Weighted average number of ordinary shares at the end of the year ('000)	185,013	184,677

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

Key management personnel of the Group are those having the authority and responsibility for planning, directing and controlling the activities of the Group. The Chief Executive Officer, Chief Financial Officer and the Board of Directors are considered as key management personnel of the Group.

	Group	
	2018 \$'000	2017 \$'000
Short-term benefits	1,390	1,131
Contribution to defined contribution plans	45	53
Fair value of share based compensation	11	46
	1,446	1,230

Transactions

The Chief Executive Officer leased his property in Australia to PBM Y for the use as manufacturing facility. The total rental paid by the Group was \$252,000 (2017: \$252,000).

27 COMMITMENTS

Operating lease commitments

The Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2018 \$'000	2017 \$'000
Payable:		
Within 1 year	414	389
After 1 year but within 5 years	449	623
	863	1,012

The Group has non-cancellable operating leases for its offices in Singapore, the United States of America ('USA'), PBM Y manufacturing facilities and submerged land use in USA. The lease of Singapore office does not contain renewal option while the rest are with renewal options. All the leases do not include contingent rentals.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group has established its general risk management philosophy to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risks to ensure that an appropriate balance between risk and control is achieved and to reflect changes in market conditions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Overview (Continued)

The Risk Management and Audit Committee oversees how management monitors compliance with the Group's risk management framework and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Risk Management and Audit Committee is assisted in its oversight role by an independent Internal Audit organisation. This independent Internal Audit organisation undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Management and Audit Committee.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Evaluations are performed on all new customers and when other circumstances require such analysis.

Stock boats are generally sold on cash terms. Contract work-in-progress represent production yachts backed by customers' orders. As it is the Group's policy to obtain deposits before commencement of construction work and only ship finished products to customers upon payment, the risk of default by customers associated with contract work-in-progress is not significant as the Group usually accepts cash payment and in certain circumstances, the Group accepts a combination of cash and a trade-in yacht as payment.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The maximum exposure to credit risk is the carrying amount of each financial asset on the balance sheet. There are no receivables that are past due as at 30 June 2018 (2017: Nil).

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following are the contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Note	Carrying amount \$'000	Cash flows			
			Contractual cash flows \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
Group						
2018						
Trade and other payables*	14	10,773	10,773	10,773	–	–
Interest bearing loan and borrowing	16	2,470	2,836	558	2,231	47
Deferred consideration	17	3,093	3,490	582	2,326	582
2017						
Trade and other payables*	14	9,499	9,499	9,499	–	–
Interest bearing loan and borrowing	16	2,736	3,194	525	2,100	569

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	Note	Carrying amount \$'000	Cash flows			
			Contractual cash flows \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
Company						
2018						
Trade and other payables	14	412	412	412	–	–
2017						
Trade and other payables	14	320	320	320	–	–

* Excluding deferred income on contract work-in-progress and advance payments received from customers before the related construction work is performed.

The risk to which the Company is exposed is credit risk in connection with guarantees contract it has issued for an external loan taken by a subsidiary. The credit risk represents the loss that would be recognised upon a default by the subsidiary to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the subsidiary it is providing the guarantee on behalf of. There are no terms and conditions attached to the guarantee contract that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows. Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations (refer Note 16).

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to interest-earning cash and cash equivalents.

Note	Group Carrying amount		Company Carrying amount	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Fixed rate instruments				
Deferred consideration	17	3,093	–	–
Variable rate instruments				
Cash and cash equivalents	13	8,437	15,871	73
Interest bearing loan and borrowing	16	(2,470)	(2,736)	–
		5,967	13,135	73

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

The Group accounts for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased equity by \$31,000 for the Group. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Sensitivity analysis for variable rate instruments

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
100 bp increase				
Increase in profit before tax	60	131	1	1

There is no impact on other components of equity. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Foreign currency risk

The foreign currency exposure arising from transactions denominated in foreign currencies is mainly the United States Dollar ('USD'), Singapore Dollar ('SGD'), Australia Dollar ('AUD') and Euro ('EUR').

The Group's gross exposure to foreign currencies are as follows:

	USD \$'000	SGD \$'000	AUD \$'000	EUR \$'000
Group				
2018				
Financial assets				
Loans and receivables	–	14	425	–
Cash and cash equivalents	1,126	734	1,798	166
Financial liabilities				
Trade and other payables	(504)	(1,467)	(289)	(824)
Net currency exposure	622	(719)	1,934	(658)
2017				
Financial assets				
Loans and receivables	4	1,019	2,696	–
Cash and cash equivalents	2,259	54	2,543	50
Financial liabilities				
Trade and other payables	(1,858)	(2,384)	(840)	(410)
Net currency exposure	405	(1,311)	4,399	(360)

The Company's exposure to foreign currency risk is not significant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

Sensitivity analysis

A 1% strengthening of United States Dollar ('USD'), Singapore Dollar ('SGD'), Australia Dollar ('AUD') and Euro ('EUR') against the functional currencies of the Company and its subsidiaries at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit from operations \$'000
Group	
At 30 June 2018	
USD	6
SGD	(7)
AUD	19
EUR	(7)
At 30 June 2017	
USD	4
SGD	(13)
AUD	44
EUR	(3)

A 1% weakening of USD, SGD, AUD and EUR against the functional currencies of the Company and its subsidiaries at the reporting date would have the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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:

	Note	Loans and receivables \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
Group					
30 June 2018					
Cash and cash equivalents	13	8,437	–	8,437	8,437
Trade and other receivables	11	6,902	–	6,902	6,902
		<u>15,339</u>	<u>–</u>	<u>15,339</u>	<u>15,339</u>
Trade and other payables*	14	–	10,773	10,773	10,773
Interest bearing loan and borrowing	16	–	2,470	2,470	2,470
Deferred consideration	17	–	3,093	3,093	3,093
		<u>–</u>	<u>16,336</u>	<u>16,336</u>	<u>16,336</u>
30 June 2017					
Cash and cash equivalents	13	15,871	–	15,871	15,871
Trade and other receivables	11	2,968	–	2,968	2,968
		<u>18,839</u>	<u>–</u>	<u>18,839</u>	<u>18,839</u>
Trade and other payables*	14	–	9,499	9,499	9,499
Interest bearing loan and borrowing	16	–	2,736	2,736	2,736
		<u>–</u>	<u>12,235</u>	<u>12,235</u>	<u>12,235</u>
Company					
30 June 2018					
Cash and cash equivalents	13	73	–	73	73
Trade and other receivables	11	5,983	–	5,983	5,983
		<u>6,056</u>	<u>–</u>	<u>6,056</u>	<u>6,056</u>
Trade and other payables	14	–	412	412	412
30 June 2017					
Cash and cash equivalents	13	96	–	96	96
Trade and other receivables	11	2,527	–	2,527	2,527
		<u>2,623</u>	<u>–</u>	<u>2,623</u>	<u>2,623</u>
Trade and other payables	14	–	320	320	320

* Excluding deferred income on contract work-in-progress and advance payments received from customers before the related construction work is performed.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair values of financial assets and financial liabilities (Continued)

Interest-bearing loan and borrowing

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 note represents the market rate.

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.

29 OPERATING SEGMENTS

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 (2017: one operating and reporting segment) which is the manufacturing & trading segment – comprising manufacturing and sale of yachts to end customers (2017: manufacturing and sales 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.

During the financial year, management has split core and non-core operating segments as described above to provide better clarity on the Group's operations and their results. There have been no changes to the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

29 OPERATING SEGMENTS (CONTINUED)

	Manufacturing and trading segment		Others#		Corporate		Adjustments		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue and expenses										
External revenue	74,711	57,044	8,781	1,657	-	-	-	-	83,492	58,701
Inter-segment revenue	3,123	2,810	371	-	2,059	2,141	(5,553)	(4,951)	-	-
Total revenue	77,834	59,854	9,152	1,657	2,059	2,141	(5,553)	(4,951)	83,492	58,701
Segment results*	13,072	7,624	671	75	1,251	1,302	(5,553)	(4,951)	9,441	4,050
Depreciation and amortisation	(3,417)	(3,050)	-	-	-	-	-	-	(3,417)	(3,050)
Interest income	39	73	-	-	-	2	-	-	39	75
Interest expense	(161)	(145)	-	-	-	-	-	-	(161)	(145)
Operating profit before tax	9,533	4,502	671	75	1,251	1,304	(5,553)	(4,951)	5,902	930
Income tax credit/(expense)	3,561	(409)	-	-	-	-	-	-	3,561	(409)
Segment profit	13,094	4,093	671	75	1,251	1,304	(5,553)	(4,951)	9,463	521
Other material non-cash items:										
Allowance made for inventory obsolescence	(588)	(144)	-	-	-	-	-	-	(588)	(144)
Property, plant and equipment written off	(135)	(1)	-	-	-	-	-	-	(135)	(1)
Provisions for warranty claims	(1,778)	(946)	-	-	-	-	-	-	(1,778)	(946)
Assets and liabilities										
Segment assets	77,096	64,313	32	1,722	44,092	42,738	(43,999)	(42,628)	77,221	66,145
Tax assets	5,024	1,347	-	-	-	-	-	-	5,024	1,347
Segment liabilities	24,921	20,769	-	-	412	320	-	-	25,333	21,089
Tax liabilities	881	1,188	-	-	-	-	-	-	881	1,188
Capital expenditures	11,315	5,572	-	-	-	-	-	-	11,315	5,572

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

Others relate to ancillary sales such as brokerage income, service income and trade-in boats

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

29 OPERATING SEGMENTS (CONTINUED)

Geographical segments

Geographical segment information is analysed by the principal geographical locations where the Group sells its yachts. The principal geographical locations are:

	2018 \$'000	2017 \$'000
USA	63,028	40,346
Australia	18,757	18,355
Asia	1,707	–
	<u>83,492</u>	<u>58,701</u>

The Group manufactures yachts and holds its corporate treasury, administrative and marketing functions at locations different from the principal geographical locations in which it sells its yachts as described above. The non-current assets, primarily the manufacturing facilities of \$38,333,000 (2017: \$30,022,000) are substantially located in Malaysia and Australia (2017: Malaysia and Australia).

30 SUBSEQUENT EVENTS

Subsequent to 30 June 2018, the Group had declared a final dividend of \$0.005 per ordinary share for the financial year ended 30 June 2018. On 28 August 2018, the Board of Directors had approved the transaction.

31 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS INTERNATIONAL AND ADOPTION OF NEW STANDARDS

Applicable to 2019 financial statements

In December 2017, the Accounting Standards Council (“ASC”) issued the Singapore Financial Reporting Standards (International) (“SFRS(I)”). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading on the Singapore Exchange, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group’s financial statements for the financial year ending 30 June 2019 will be prepared in accordance with SFRS(I) and IFRS issued by the International Accounting Standards Board. As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of International Financial Reporting Standards.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

31 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS INTERNATIONAL AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 1

When the Group adopts SFRS(I) 1 in 2018, the Group will apply SFRS(I) 1 with 1 July 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) 1 on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

Foreign currency translation reserve ("FCTR")

The Group considers that restating FCTR to comply with current IAS 21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group plans to elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to zero at the date of transition, and reclassify the cumulative FCTR as at 1 July 2017 determined in accordance with FRS at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

The Group expects retained earnings as at 30 June 2018 to decrease with the reclassification of the foreign exchange reserve translation losses.

Business combinations

A first-time adopter may choose not to apply SFRS(I) 3 *Business Combinations* retrospectively to business combinations occurring before the date of transition to SFRS(I).

The Group plans to elect the optional exemption in SFRS(I) 1 and not to apply SFRS(I) 3 retrospectively to business combinations that occurred before 1 January 2010.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 30 June 2019, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

31 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS INTERNATIONAL AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 15 (Continued)

The expected impact upon the adoption of SFRS(I) 15 is described below.

Contract revenue

The Group manufactures and sells yachts and recognises revenue from contracts with customers with reference to the stage of completion which includes the initial amount and any variations in contract. The stage of completion is measured by reference to the hours incurred to date and the estimated total hours for each contract. Under SFRS(I) 15, Group will recognise revenue when the performance obligations are satisfied over time. The stage of completion is measured by reference to the actual costs incurred to date and the total budgeted cost.

On the transition to SFRS(I) 15, the Group expects revenue and cost of goods sold to increase for year ended 30 June 2018 due to accelerated stage of completion measured by reference to actual costs incurred. However the gross profit margin remains relatively consistent. The Group does not expect retained earnings and contract liabilities to be materially impacted. The Group expects contract assets to increase. This is a result of the difference between revenue recognition based on actual cost incurred and the corresponding milestone billings.

Sale of stock boats and trade-in boats

The Group currently recognises revenue from such sales after the significant risks and rewards of ownership are transferred to customers. Under SFRS(I) 15, the revenue recognition will be at a point in time when the performance obligation has been satisfied.

Rendering of services

The Group currently recognises revenue when the services rendered are complete as the length of service is usually less than a month and any differences arising from revenue recognition using stage of completion method is not expected to be material. On the same basis, the revenue recognition under SFRS(I) 15 will be at a point in time when the performance obligation has been satisfied.

Revenue from boat brokerage

The Group currently recognises revenue when the brokerage deal is complete. Under SFRS(I) 15, the revenue recognition will be at a point in time when the performance obligation has been satisfied.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except for the following:

- The Group plans to take the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 financial statements. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in the retained earnings and reserves as at 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

31 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS INTERNATIONAL AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 9 (Continued)

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 July 2018.
 - The determination of the business model within which a financial asset is held.
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income ("FVOCI").

The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL").

Classification and measurement of financial assets and financial liabilities – As at 1 July 2018, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

Impairment – SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of SFRS(I) 15.

The Group and the Company do not expect a significant increase in impairment of trade and other receivables as at 1 July 2018.

Applicable to 2020 financial statements

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 July 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2018

31 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS INTERNATIONAL AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 16 (Continued)

The Group plans to adopt the standard when it becomes effective in 2020 and expects to apply the standard using the retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 July 2019. Accordingly, existing lease contracts that are still effective on 1 July 2019 continue to be accounted for as lease contracts under SFRS(I) 16.

(i) The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

(ii) The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

Applicable to financial statements for the year 2020 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2020 financial statements

- SFRS(I) 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Applicable to 2022 financial statement

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

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

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group also preliminarily assessed that SFRS(I) 17 is not relevant to the Group as the Group does not issue insurance contracts nor account for financial guarantee contracts as insurance contracts.

STATISTICS OF SHAREHOLDINGS

As at 18 September 2018

Issued Share Capital : 184,234,649 ordinary shares
Voting Rights : 1 vote per ordinary share

Directors' Shareholdings

As at 21 July 2018

Name of Directors	No. of Shares
Mark Jonathon Richards	11,025,400
Heine Askaer-Jensen	501,500
Basil Chan	301,500
Gerard Lim Ewe Keng	12,000
Gary James Weisman	275,000

Substantial Shareholders

As at 18 September 2018, shown in Register of Substantial Shareholders

Name of Substantial Shareholders	Shareholdings registered in the name of the Substantial Shareholders	Shareholdings in which the Substantial Shareholders are deemed to have an interest	Total	Percentage of Issued Shares (%)
Exa Limited ⁽¹⁾	49,553,497	–	49,553,497	26.90
Tan Sri Lim Kok Thay ⁽²⁾	–	49,553,497	49,553,497	26.90
Golden Hope Limited ⁽³⁾	–	49,553,497	49,553,497	26.90
First Names Trust Company (Isle of Man) Limited ⁽⁴⁾	–	49,553,497	49,553,497	26.90
Lim Keong Hui ⁽⁵⁾	–	49,553,497	49,553,497	26.90
Star Cruises Terminal (China) Limited ⁽⁶⁾	–	49,553,497	49,553,497	26.90
Genting Hong Kong Limited ⁽⁷⁾	–	49,553,497	49,553,497	26.90
Willimbury Pty Ltd ⁽⁸⁾	18,118,685	–	18,118,685	9.83
Arminella Pty Ltd (as trustee for SJHA Investment Trust) ⁽⁹⁾	16,580,778	–	16,580,778	9.00
Mark Jonathon Richards	11,025,400	–	11,025,400	5.98

Notes:

- (1) 3,820,300 shares are held by DBS Vickers Securities (Singapore) Pte Ltd.
- (2) Tan Sri Lim Kok Thay, as beneficiary of a discretionary trust which First Names Trust Company (Isle of Man) Limited is trustee of, is deemed interested in the Shares held by Exa Limited.
- (3) Golden Hope Limited, as trustee of Golden Hope Unit Trust, is deemed interested in the Shares held by Exa Limited.
- (4) First Names Trust Company (Isle of Man) Limited, as trustee of a discretionary trust, is deemed interested in the Shares held by Exa Limited.
- (5) Lim Keong Hui, as beneficiary of a discretionary trust which First Names Trust Company (Isle of Man) Limited is trustee of, is deemed interested in the Shares held by Exa Limited.
- (6) Star Cruises Terminal (China) Limited, as the sole shareholder of Exa Limited, is deemed interested in the Shares held by Exa Limited.
- (7) Genting Hong Kong Limited, as the sole shareholder of Star Cruises Terminal (China) Limited, is deemed interested in the Shares held by Exa Limited.
- (8) 18,118,685 shares are held by DBS Nominees (Private) Limited.
- (9) 16,580,778 shares are held by Raffles Nominees (Pte) Limited.

STATISTICS OF SHAREHOLDINGS

As at 18 September 2018

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	101	6.02	1,099	0.00
100 – 1,000	275	16.40	154,958	0.08
1,001 – 10,000	895	53.37	3,992,840	2.17
10,001 – 1,000,000	386	23.02	22,246,493	12.08
1,000,001 and above	20	1.19	157,839,259	85.67
Total	1,677	100.00	184,234,649	100.00

As at 18 September 2018, approximately 47.7% of the Company's shares were held in the hands of the public. Therefore, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Exa Limited	45,733,197	24.82
2	DBS Nominees (Private) Limited	26,881,267	14.59
3	Raffles Nominees (Pte) Limited	17,289,128	9.39
4	Mark Jonathon Richards	11,025,400	5.98
5	DBS Vickers Securities (Singapore) Pte Ltd	8,713,100	4.73
6	Fong Peg Hong	7,300,000	3.96
7	Citibank Nominees Singapore Pte Ltd	6,394,078	3.47
8	UOB Kay Hian Private Limited	4,758,050	2.58
9	Goh Guan Siong (Wu Yuanxiang)	3,462,000	1.88
10	Kwah Yeow Khong	3,170,000	1.72
11	Koh Cheng Keong	3,056,497	1.66
12	Teo Hee Huat (Zhang Xifa)	2,882,000	1.57
13	Ronald Clayton Filbert or Bernice Bernita Filbert	2,714,000	1.47
14	United Overseas Bank Nominees (Private) Limited	2,460,062	1.34
15	Cheng Lim Kong	2,400,000	1.30
16	Phillip Securities Pte Ltd	2,308,680	1.25
17	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,290,000	1.24
18	Sim Siew Tin Carol (Shen Xiuzhen Carol)	1,815,000	0.99
19	RHB Securities Singapore Pte Ltd	1,762,500	0.96
20	Maybank Kim Eng Securities Pte Ltd	1,424,300	0.77
		157,839,259	85.67

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at **York Hotel Singapore (Rose Room I & II – Upper Lobby Level), 21 Mount Elizabeth, Singapore 228516 on Thursday, 25 October 2018 at 10.00 a.m.** to transact the following business:

ORDINARY BUSINESS

- 1) To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Auditors' Report thereon. **(Resolution 1)**
- 2) To declare a first and final one-tier tax exempt dividend of 0.5 Singapore cents per ordinary share for the financial year ended 30 June 2018. (2017: Nil) **(Resolution 2)**
- 3) To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 3)**
- 4) To approve payment of additional Directors' fees of S\$5,420 for the financial year ended 30 June 2018. [see Explanatory Note (i)] **(Resolution 4)**
- 5) To approve the payment of Directors' fees of S\$252,500 for the financial year ending 30 June 2019, to be paid quarterly in arrears. (2018: S\$212,420, including S\$5,420 upon approval of Resolution 4 above). [see Explanatory Note (i)] **(Resolution 5)**
- 6) To re-elect Mr. Basil Chan, who is retiring pursuant to Article 86 of the Constitution of the Company and who, being eligible, offers himself for re-election as an Independent Director. [see Explanatory Note (ii)] **(Resolution 6)**
- 7) To re-elect Mr. Gerard Lim Ewe Keng, who is retiring pursuant to Article 86 of the Constitution of the Company and who, being eligible, offers himself for re-election as a Non-Independent and Non-Executive Director. [see Explanatory Note (ii)] **(Resolution 7)**
- 8) To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without amendments:

9) Authority to issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:

- (a) (i) allot and issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this resolution may have ceased to be in force), issue shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

1. the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of the Instruments made or granted pursuant to this resolution) does not exceed fifty per centum (50%) of the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company (as calculated in accordance with sub-paragraph 2 below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of the Instruments made or granted pursuant to this resolution) does not exceed twenty per centum (20%) of the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company (as calculated in accordance with sub-paragraph 2 below);
2. (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph 1 above, the percentage of the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), shall be based on the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company at the time that this resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
3. in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
4. unless revoked or varied by the Company in general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[see Explanatory Note (iii)] **(Resolution 8)**

10) **Authority to issue shares under Grand Banks Performance Share Plan 2014 and Grand Banks Employee Share Option Scheme 2014**

That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors and/or the Remuneration Committee to grant awards in accordance with the Grand Banks Performance Share Plan 2014 (the "PSP"), and/or offer and grant options in accordance with the provisions of the Grand Banks Employee Share Option Scheme 2014 (the "ESOS") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the PSP and/or to the exercise of options under the ESOS, provided always that the aggregate number of additional shares to be allotted and issued in respect of all awards granted under the PSP and all options granted under the ESOS shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[see Explanatory Note (iv)]

(Resolution 9)

BY ORDER OF THE BOARD

Ler Ching Chua
Company Secretary

Singapore
10 October 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Resolution 4, is to approve the payment of S\$5,420 as additional Directors' fees for the financial year ended 30 June 2018, payable to the members of the Strategic Committee which was established with effect from 8 February 2018, on a *pro rate* basis.

Resolution 5, is to approve the payment of an aggregate S\$252,500 as Directors' fees for the current financial year, commencing on 1 July 2018 and ending on 30 June 2019, to be paid out quarterly in arrears.

- (ii) Resolutions 6 and 7 above, relates to the re-election of the Directors retiring by rotation pursuant to Article 86 of the Company's Constitution.

Mr. Basil Chan will, upon re-election as an Independent Director of the Company, remain as Chairman of the Risk Management and Audit Committee, Chairman of Nominating Committee and a member of the Remuneration Committee and will be considered Independent.

Mr. Gerard Lim Ewe Keng will, upon re-election as a Non-Independent and Non-Executive Director of the Company, remain as a member of the Risk Management and Audit Committee, the Remuneration Committee and the Nominating Committee, and will be considered as a Non-Independent Director.

In line with Guideline 4.7 of the Code of Corporate Governance: (a) there are no relationship including immediate family relationships between Mr. Basil Chan and the other directors, the Company or its 10% shareholders. Mr. Gerard Lim Ewe Keng is an associate of a controlling shareholder of the Company. Saved as disclosed above, there are no other relationships including immediate family relationships between Mr. Gerard Lim Ewe Keng and the other directors of the Company; and (b) the list of all current directorships held by each of Mr. Basil Chan and Mr. Gerard Lim Ewe Keng in other public listed companies (if any), as well as the details of their other principal commitments can be found in the FY2018 Annual Report, under the "Board of Directors" section.

- (iii) Resolution 8, if passed, authorises the Directors from the date of this Annual General Meeting up to the date of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held or by which this authority is varied or revoked by the Company in general meeting, whichever is earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding 50% of the issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company on a pro-rata basis to shareholders (of which up to 20% of the issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company, may be issued on a non pro-rata basis to shareholders). For determining the aggregate number of shares that may be issued, the percentage of issued shares, excluding treasury shares and subsidiary holdings (if any), will be calculated based on the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company at the time that this resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that this resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.
- (iv) Resolution 9, if passed, authorises the Directors and/or Remuneration Committee from the date of this Annual General Meeting up to the date of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held or by which this authority is varied or revoked by the Company in general meeting, whichever is earlier, to grant awards under the PSP and to grant options under the ESOS and to allot and issue fully paid-up shares in the capital of the Company, provided that the aggregate number of shares which may be allotted and issued in respect of all awards granted under the PSP and all options granted under the ESOS shall not exceed 15% of the total number of issued shares in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. (i) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**"). Where a member appoints more than one proxy, the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified in the form of proxy.
- (ii) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
2. A proxy need not be a member of the Company.
 3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 274 Upper Bukit Timah Road #03-16 Singapore 588213 not less than **twenty-four (24) hours** before the time appointed for the taking of the poll of the Meeting pursuant to Article 76 of the Company's Constitution.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

NOTICE OF BOOKS CLOSURE DATE

NOTICE IS HEREBY GIVEN that, subject to the approval by the shareholders of the first and final dividend at the Company's Annual General Meeting to be held on 25 October 2018, the Share Transfer Books and Register of Members of the Company will be closed on 7 November 2018 at 5.00 p.m. for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 7 November 2018 will be registered to determine shareholders' entitlements to the proposed first and final one-tier tax exempt dividend of 0.5 Singapore cents per ordinary share. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 7 November 2018 will be entitled to the proposed first and final dividend.

Payment of the first and final dividend, if approved by the shareholders, will be paid on 15 November 2018.

By Order of the Board

Ler Ching Chua
Company Secretary

Singapore
10 October 2018

GRAND BANKS YACHTS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 197601189E)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy **Grand Banks Yachts Limited** shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We*, _____ (Name)

of _____ (Address)

being a member/members* of Grand Banks Yachts Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them*, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "Meeting") of the Company to be held at **York Hotel Singapore (Rose Room I & II – Upper Lobby Level), 21 Mount Elizabeth, Singapore 228516 on Thursday, 25 October 2018 at 10.00 a.m.** and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion.

Ordinary Resolutions relating to:	Number of Votes	
	For ⁽¹⁾	Against ⁽¹⁾
Resolution 1 Adoption of Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018.		
Resolution 2 Payment of proposed first and final one-tier tax exempt dividend of 0.5 Singapore cents per ordinary share for the financial year ended 30 June 2018.		
Resolution 3 Re-appointment of KPMG LLP as Auditors of the Company and authorising the Directors to fix their remuneration.		
Resolution 4 Approval of payment of additional Directors' fees of S\$5,420 for the financial year ended 30 June 2018.		
Resolution 5 Approval of payment of Directors' fees of S\$252,500 for the financial year ending 30 June 2019, to be paid quarterly in arrears.		
Resolution 6 Re-election of Mr. Basil Chan as an Independent Director.		
Resolution 7 Re-election of Mr. Gerard Lim Ewe Keng as a Non-Independent and Non-Executive Director.		
Resolution 8 Authority to issue shares.		
Resolution 9 Authority to grant awards and/or options and to allot and issue shares under the Grand Banks Performance Share Plan 2014 and the Grand Banks Employee Share Option Scheme 2014, respectively.		

(1) Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant boxes provided. Alternatively, if you wish to exercise your votes "For" and "Against" the relevant resolution, please indicate the number of votes as appropriate in the boxes provided above.

Dated this _____ day of _____ 2018.

Signature(s) of Member(s) or,
Common Seal of Corporate Shareholder(s)

* Delete where inapplicable

Total Number of Shares held in:	Number of Shares
(1) CDP Register	
(2) Register of Members	

IMPORTANT: PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at the Meeting of the Company is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

Pursuant to Section 181 of the Companies Act, Chapter 50, a “**relevant intermediary**” means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the Company’s registered office at 274 Upper Bukit Timah Road #03-16 Singapore 588213 not less than **twenty-four (24) hours** before the time appointed for the taking of the poll of the Meeting pursuant to Article 76 of the Company’s Constitution.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is signed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 October 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his names in the Depository Register as at **72 hours** before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Sustainability Report

2018

ABOUT THIS REPORT

This is Grand Banks Yachts Limited's ("Grand Banks", "the Company") second Sustainability Report, which has been prepared in accordance with the GRI Standards: Core option and in conformance with the SGX Sustainability Reporting Guide. The Report has been prepared in accordance with the Listing Rules 711A and 711B of the Singapore Exchange and comprises the five Primary Components as set out in Listing Rule 711B.

The Environmental, Social and Governance (ESG) performance presented in this Report covers a three- year period starting from 01 July 2015 and ended on 30 June 2018 unless specified otherwise. While this Report does not evaluate performance against established targets, we are committed to setting targets and goals for future reporting.

This Report includes consolidated environmental and social performance data from our two manufacturing facilities located in Malaysia and Australia where our Grand Banks and Palm Beach model boats are produced, and the head office in Singapore. Employee data covers the entire Group including Grand Banks Yachts entities located in Malaysia, Singapore and the USA as well as Palm Beach Motor Yacht entity located in Australia. The Report excludes outsourced services managed by our vendors.

All references to Grand Banks yachts in this Report refer to both the Grand Banks and Palm Beach model yachts.

All data in the Report has been extracted from primary official documents and records to ensure accuracy.

In our second year of sustainability reporting, we noted that data-gathering challenges still existed for certain indicators. Wherever data is incomplete or not available, an explanatory note has been added. We are in the process of implementing more robust data tracking and gathering mechanisms for improved reporting in the coming years.

Reporting Process

The Grand Banks' Board provides the overall direction for the company's sustainability strategy and preparation of the Sustainability Report. The Board is assisted by Grand Banks' Sustainability Reporting Steering Committee. The Committee is headed by our Chief Executive Officer, represented by senior management and assisted by external experts. They review, assess and determine the sustainability context, material factors, scope, boundary, completeness and prioritisation of the reported issues.

Report Content and Quality

The content in this Report has been determined based on stakeholder expectations, analysis of Grand Banks' most material ESG factors and organizational risks, as well as opportunities and strategies found within the sustainable development landscape where we operate.

To ensure content quality, we have applied GRI's principles for defining report quality that include the principles of accuracy, balance, clarity, comparability, reliability and timeliness.

We have used internationally accepted measurement units for all data. Financial figures are in Singapore dollars unless specified otherwise.

Assurance

While we did not seek external assurance for this Report, we had implemented an internal mechanism to ensure accuracy of the data reported. CSRWorks International, the consulting firm engaged to prepare this Report, also verified samples of data for accuracy.

Availability

This Report, as a part of the Annual Report, is available in PDF form on our website www.grandbanks.com for download. Limited hard copies have been printed on paper to minimize our environmental impact.

Feedback

We welcome views on this Report from stakeholders. You may send your feedback to: csr@grandbanks.com

Sustainability Report

2018

PERFORMANCE SCORECARD

ESG PERFORMANCE			
Financial Year			
ESG FACTORS	FY2016	FY2017	FY2018
ENVIRONMENTAL			
CO ₂ emissions (t)	1,711	1,808	2,160
Carbon emission intensity per \$million revenue (tCO ₂)	29.2	30.8	25.9
Energy intensity per \$million revenue (GJ)	158	165	148
Electricity used (kWh)	2,140,093	2,283,605	2,637,183
Water consumption (m ³)	12,523	18,319	20,266
Non-hazardous waste (t)	841	724	1,729
Hazardous waste (t)	24.0	10.8	25.9
SOCIAL			
Employees			
Number of employees	485	634	747
Direct employees (Production Workers)	82.4%	83.8%	84.7%
New hires	87	248	270
Female employees (Office functions)	29.5%	33.0%	32.8%
Average training hours per employee (Female)	11.6	4.8	0.8
Average training hours per employee (Male)	13.5	2.5	2.2
Employee turnover rate	9.9%	15.6%	26.7%
Fatal accidents	0	0	0
Suppliers			
Share of local suppliers as % of total purchase value	41.8%	44.9%	43.7%
FINANCIAL (\$m)			
Revenue	58.7	58.7	83.5
Net profit	2.0	0.5	9.5
Employee wages and benefits	17.1	21.3	25.4
Dividends paid/declared to shareholders	None	None	0.9

Notes:

Waste data refers to Malaysia facility.

Note:

FY2016: 1 July 2015 to 30 June 2016

FY2017: 1 July 2016 to 30 June 2017

FY2018: 1 July 2017 to 30 June 2018

Sustainability Report

2018

MATERIALITY ASSESSMENT

Our sustainability reporting approach begins with using the GRI Standards to identify the most material environmental, social and governance (ESG) topics that may significantly impact our operations economically, environmentally and/or socially, or substantially influence the assessments and decisions of our stakeholders. This involved an extensive materiality assessment of our business operations by our senior management who then prepared a list of material ESG topics.

We also relied on daily engagement with our stakeholders to gain insights that helped determine priority ESG topics for reporting.

The Grand Banks Sustainability Steering Committee reviews the identified material ESG factors before the Board gives their final approval.

Material Topics and their Boundary

Below is a summary of Grand Banks' material environmental, social and economic impacts, where these impacts occur and our involvement with these impacts. Our indirect involvement indicates the impacts that occur outside Grand Banks where we may have limited or no control.

Material Topics (GRI Standards)	Where the Impacts Occur	Our Involvement	Material for Grand Banks Subsidiaries	Goals and Targets
ENVIRONMENT				
Energy	Own manufacturing activity and during product use by customers	Direct and Indirect	<ul style="list-style-type: none"> Grand Banks Yachts Sdn Bhd, Malaysia Palm Beach Motor Yacht Co Pty Ltd, Australia 	Improve over prior year
GHG emissions	Own manufacturing activity and during product use by customers	Direct and Indirect		Improve over prior year
Waste	Own manufacturing activity	Direct		Improve over prior year
SOCIAL				
Workplace				
Employment	Grand Banks Group	Direct	All	Be an employer of choice
Diversity and equal opportunity	Grand Banks Group	Direct	All	Maintain gender, ethnic and cultural diversity
Human rights	Grand Banks Group	Direct	All	Zero violations of human rights in own operations
Training and education	Grand Banks Group	Direct	All	Provide need-based training
Employee turnover	Grand Banks Group	Direct	All	Study to identify a relevant benchmark to assess our performance
Occupational health and safety	Grand Banks Group	Direct	All	Zero accident
Marketplace				
Customer service	Grand Banks Group	Direct	All	Maintain high standards of service

Sustainability Report 2018

Material Topics (GRI Standards)	Where the Impacts Occur	Our Involvement	Material for Grand Banks Subsidiaries	Goals and Targets
Product safety	Grand Banks Group and Suppliers	Direct and indirect	All	Compliance with applicable safety standards
Procurement practices	Grand Banks Group	Indirect	All	Engage with suppliers to explore sourcing of sustainable materials
Anti-corruption	Grand Banks Group	Direct and Indirect	All	Zero incidents
Communities				
Local communities	Grand Banks Group	Direct	All	Be a responsible corporate citizen
ECONOMIC				
Economic performance	Grand Banks Group	Direct	All	See Annual Report
Indirect economic performance	Grand Banks Group	Indirect	All	See chapter on Economic Performance

SUSTAINABILITY GOVERNANCE

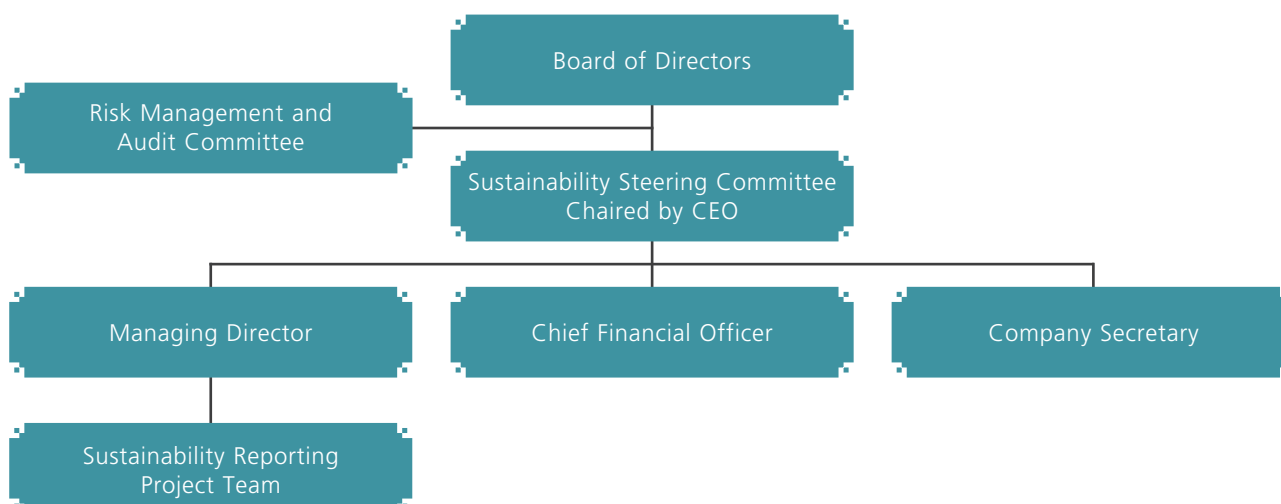
We believe that sustainability should be upheld at every level of the Company, beginning at the very top.

Grand Banks’ Board of Directors considers the Company’s and broader sustainability issues while reviewing and planning the corporate business strategies. They are assisted by the Risk Management and Audit Committee, which is responsible for managing ESG issues and sustainability reporting. The Board then provides strategic direction to the management for adopting and implementing any approved sustainability goals and strategies.

Grand Banks’ Sustainability Steering Committee oversees the implementation and monitoring of policies and practices to achieve the directed sustainability goals and to produce the annual sustainability report.

Data and information for the sustainability report is collated and verified by key department heads and executives who form a Sustainability Reporting Project Team.

Both the Sustainability Steering Committee and the Sustainability Reporting Project Team are assisted by independent sustainability consultants.



Sustainability Report

2018

Board Statement

The Grand Banks Yachts Limited's Board of Directors considers sustainability to be an integral component of their business strategies. The Board oversees the management of and endorses the material ESG factors presented in this report, through periodic review of the key performance indicators.

STAKEHOLDERS

It is through open, regular and constructive dialogue with all our stakeholders that we can better achieve our corporate goals.

Grand Banks has many stakeholder groups, many of whom have a significant impact on how we innovate, create and sell world-class yachts and grow our global business. We believe that feedback from these stakeholders better guides our decision-making processes, not only to meet their expectations but to grow our business.

That is the reason we, especially through members of our management team, actively engage our stakeholders to build long term trust and goodwill. Any insights gleaned are often shared with other management executives to aid in any decision-making or strategy development.

We have identified major stakeholder groups below, as well as their expectations, our engagement points and how we meet their expectations. All stakeholders are important but customers and employees especially are key groups and some of their views are also shared within the relevant sections of this report.

Stakeholder Groups	Stakeholders' expectations	Our engagement points	Addressing their expectations
Customers	Quality, value, reliability, safety, efficient delivery, friendly and effective service.	Boat shows, owners' events, direct marketing and factory visits.	Incorporating stringent quality and safety features in our boats, efficient production planning, using high quality material and components, and complying with international quality and safety regulations.
Employees	Respect and recognition, fair employment policies, competitive wages, work-life balance, personal development, career growth and safe working conditions.	Regular team meetings, newsletters, internal memos, Employee Code of Conduct and quarterly lunch get-together.	Adopting fair employment policies and practices, investing in people development, performance recognition and rewards, and open communication with employees.
Shareholders and Investors	Return on investment, long term sustainable business growth, regular dividends, financial prudence, effective risk management and good corporate governance.	Annual General Meetings, special visits, briefings and press releases, and factory visits.	Carefully strategizing long term growth, continuously innovating to lead the market, optimizing our resources, managing risks prudently, and ensuring integrity, transparency and management accountability.
Suppliers, Consultants and Contractors	Regular orders, clearly defined specifications, a fair selection process and ethical conduct, and timely payment.	Trade shows, factory visits and vendor meetings.	Mandating ethical procurement policies, like a Supplier Code of Conduct, and processes to ensure fairness in selecting vendors and awarding orders, and honoring the terms of purchase agreements.
Government and Regulators	Compliance with applicable laws and regulations, timely filing of required information and cooperation with law enforcement agencies and officers.	Factory inspections, seminars and filing of mandatory reports.	Adhering to policies and practices that ensure compliance with regulations.

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Stakeholder Groups	Stakeholders' expectations	Our engagement points	Addressing their expectations
Community and NGOs	Responsible employment and business operations, support for and contributing to local community causes.	Sporting, blood donation drives and disclosure of our ESG performance.	Following fair employment policies, minimizing the environmental impacts of operations and supporting local community events.
Industry/Peers	Product and process innovation.	Advertising, website updates, trade shows and industry events.	Investing in product innovation as well as research and development, and new product launches.
Analysts	Regular updates on Company performance and plans, and access to senior management for interviews.	Annual Reports, briefings, updates via the corporate website and press releases.	Providing appropriate updates and information in a timely manner and as requested.
Media	Regular updates on Company affairs, access to information for public interest stories and access to management for comments/interviews.	Press releases and interviews.	Providing regular press releases, and information and interview opportunities with top management when requested.

ENVIRONMENT

We constantly strive to ensure that our world-class recreational yachts have the lowest possible environmental impact, during both manufacture and use.

Material Environmental Topics

- Energy
- GHG emissions
- Waste

Grand Banks' environmental efforts are two-pronged: reducing and minimizing our own energy consumption and waste generation, and making our yachts lighter, stronger and thus more energy efficient.

We have identified energy consumption, Greenhouse Gas (GHG) emissions and manufacturing waste as material topics considering their potentially negative environmental impact. We regularly monitor these and review our processes as required to test for the efficacy of our operations.

Although Grand Banks does not use water operationally, our customers would better enjoy using our products in cleaner waters. Hence, we try to conserve water and endorse global efforts that address water pollution.

Energy

Energy efficiency is our priority in both the manufacture and post-sales use of our yachts. Internally, we also try to involve employees in saving electricity, such as switching off lights and air-conditioning for areas that are not in use.

Our Malaysian and Australian production facilities account for most of our energy use, of which electricity is the main component. Our electrical-saving measures include spacious production bays with skylights that allow sunlight into the work area to reduce need for artificial lighting. These artificial lights have been using LED bulbs since 2016, saving energy and costs.

Fuel is consumed in our vehicles, for testing our yachts, and when our customers use the yachts. Improving the energy efficiency and design of our yachts therefore helps to reduce their fuel consumption.

We continue to replace or upgrade our tools with new energy efficient models, which save direct power consumption and improve productivity. We have reorganized our production bays and the administrative block in our Malaysia facility over the past two years that continues to save energy.

We have extended the roofing of the Malaysia facility to increase the sheltered production area and thus reduces the need for artificial cooling systems such as electric fans and air-conditioning.

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In FY2018, our electricity consumption was 2.6 million kWh, due to more man hours worked at the Malaysia factory to meet production requirement. However, our energy intensity was lower at 148 gigajoules per \$million of revenue in FY2018 compared with 165 gigajoules/\$million revenue in FY2017.

Carbon Emissions

Operationally, our carbon emissions are largely due to electricity use and fuel consumption. We use the well-established and extensively applied GHG Protocol guidelines for measuring and reporting our Scope-1 and Scope-2 sources. Fugitive emissions from refrigerant gases used in air conditioning systems have been omitted as we assess this source to be insignificant.

Grand Banks continually seeks to improve the fuel and energy efficiency of our yachts to reduce their carbon emissions during use.

Solar Power

Harnessing solar energy for our yachts remains an area that we would continue to explore. Currently, the Grand Banks 60 comes with a solar-energized electrical system allowing the batteries to be charged by a pair of 300-watt solar panels on the hardtop's roof, which keep onboard refrigeration operable without having to resort to shore- or generator-set power. This provides a new choice to eco-conscious customers.

Waste

Grand Banks' manufacturing process generates hazardous waste like spent lubricant oil, solvents, catalysts, dust filter, uncured resin and gum waste, as well as non-hazardous waste like wood, paper, plastic, bottles and cans.

By improving resource efficiency, we aim to reduce both costs and waste generation. Any generated waste is disposed of responsibly through licensed waste collection contractors.

For FY2018 operations, 25.9 tonnes of hazardous and 1,729 tonnes of non-hazardous waste was generated, against 10.8 tonnes and 724 tonnes respectively in FY2017. The waste output was relatively higher due to higher production. Our waste data refers to our manufacturing facility in Malaysia.

Use of Vacuum Bagging

A recent initiative to reduce the emissions from the manufacturing process is the use of vacuum bagging in our Malaysia facility. This keeps all potentially harmful materials such as resin from being exposed to the atmosphere. The use of such materials is more expensive but contributes to lowering environmental impact of the facility's operations.

Case Study

In FY2018, we decommissioned the central dust extraction system in the wood-room and replaced it with smaller, more efficient, dedicated dust extraction device to each machine. This smaller, individual dust extraction device operates only when the machine is in use as against the central system which we had to operate regardless of the number of active machines. The new system saves energy and makes the process more efficient and productive.

Acetone Recovery

Grand Banks uses acetone as a solvent to clean equipment used to manufacture fiberglass reinforced plastic products. To reduce the costs of purchasing new solvent and disposing of the used acetone as a chemical waste, our Malaysian facility recycles up to 70% of all spent acetone for reuse.

Robotics

Our Malaysian facility also uses a robotic arm in the mold-making process. It translates computer designs into the mold with greater precision, this saves more time and labor, while generating significantly less waste, than the traditional manual method. We are planning to buy another robotic arm to further improve productivity.

Sustainability Report

2018

Saving Water

Water has not been identified as a material topic for Grand Banks, as we use it mainly for drinking, product testing and industrial washing.

A pool in our Malaysian facility which is used to test boats, reuses water within the pool, circumventing any need to pump discharged water back in, thus saving an average of 100 gallons of water per boat.

Recognizing the value of clean water, we also advocate water conservation through employee awareness and have reported our water consumption figures.

Naturally Better

Covered spaces at our Malaysian facility protect goods and materials from the elements, prolonging the lifespan of these resources and assets and creating a more comfortable environment for our employees. There are also several green spaces populated by over a 100 trees and plants.

Compliance

Grand Banks is committed to complying with the applicable environmental regulations. There were no significant fines or regulatory action for violation of environmental laws during the reported period.

Lighter and Faster, Stronger and Greener

Lighter yachts generally sail faster. There are also other opportunities for greater efficiency in their production and performance. Grand Banks believes in innovatively developing yachts that are lighter and faster, as well as stronger and more energy efficient.

In using alternative laminates like the carbon fiber instead of fiberglass, for instance, we have reduced the material usage as well as the weight of the yacht. While carbon fiber costs more, it is stronger and will extend the life span of the craft while providing better fuel efficiency. Replacing teak with vinyl, as another example, offers additional benefits like not needing varnishing as well as the allowance for external construction and subsequent fitting.

Grand Banks yacht's sandwiched cored hulls, which alternate light, strong materials with layers of fiberglass, resulted in lighter, stronger boats.

These weight reductions mean smaller engines can be used to deliver optimal speed and performance with less fuel consumption and lower carbon emission.

For propulsion, we have begun replacing conventional Straight Shaft inboard engines with Pod Drive engines, which are quieter, vibrate less and are 10% to 30% more fuel efficient.

In another initiative, we are working toward standardization of components to reduce the number of different types of components required for the various models, thus simplifying production and reducing inventory holding costs.

Our resin infusion process allows us to use less resin to laminate in a more controlled environment that is safer for our employees. We can also control the emission of styrene emission to safeguard the atmosphere and environment.

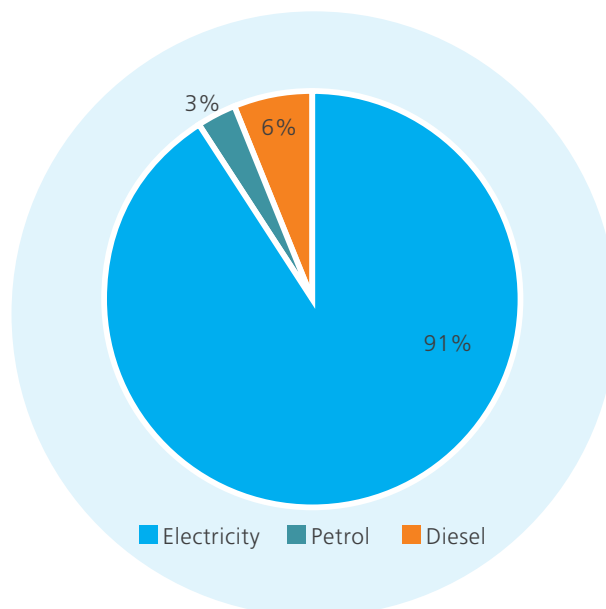
Finally, all Grand Banks yachts are fitted with energy-saving LED lights.

Sustainability Report 2018

ENVIRONMENTAL PERFORMANCE

Carbon Emission Summary			
tCO ₂			
	FY2016	FY2017	FY2018
Scope-1			
Stationary Combustion	75.9	74.6	137.9
Mobile Combustion	35.1	30.0	56.6
Total Scope-1	111.0	104.5	194.5
Scope-2			
Purchased Electricity	1,600	1,703	1,965
Total Emissions (tCO₂)	1,711	1,808	2,160

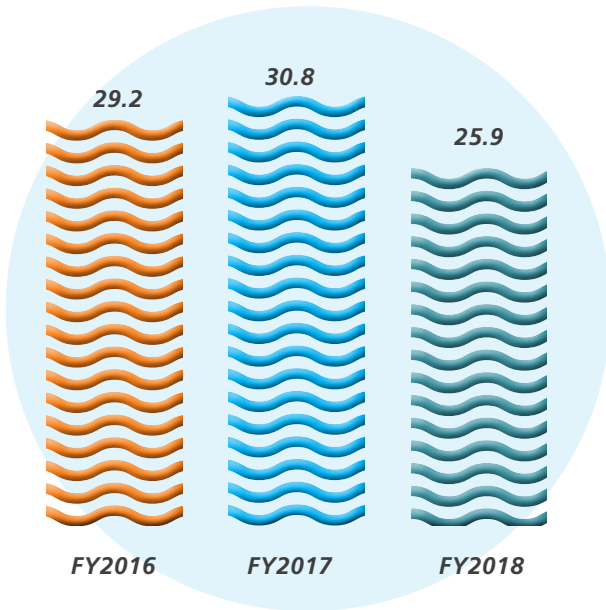
CO₂ EMISSIONS BY SOURCES
FY2018



Sustainability Report 2018

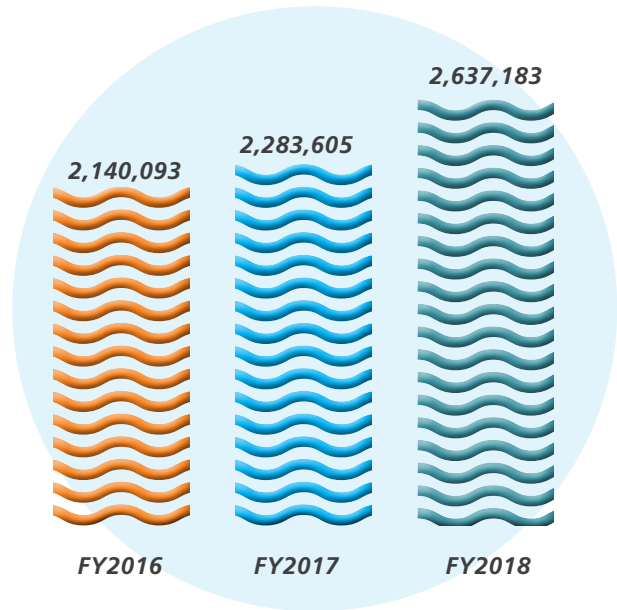
CARBON EMISSIONS INTENSITY

tCO₂ per million \$ revenue



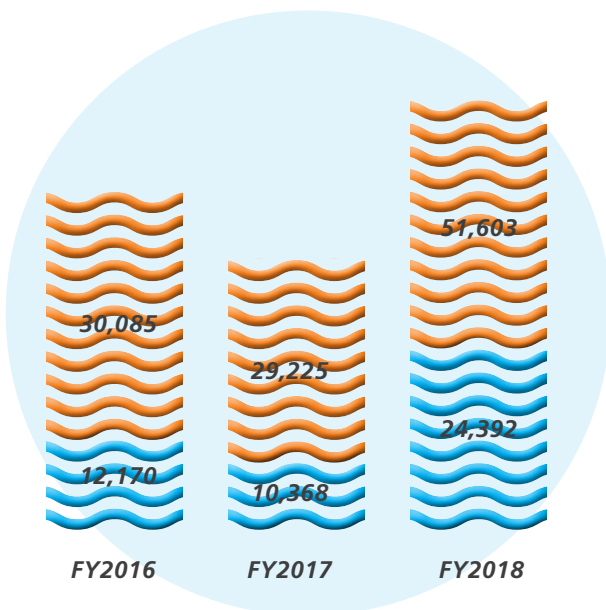
ELECTRICITY CONSUMPTION

(kWh)



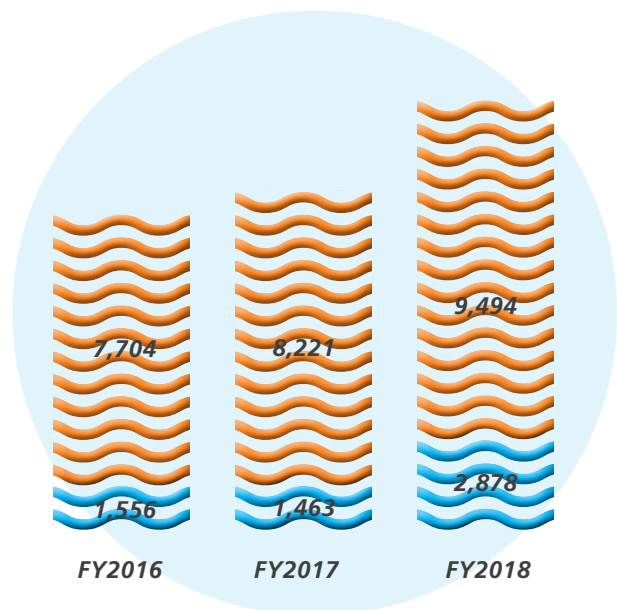
FUEL CONSUMPTION

(Litres)



ENERGY CONSUMPTION

(GJ)

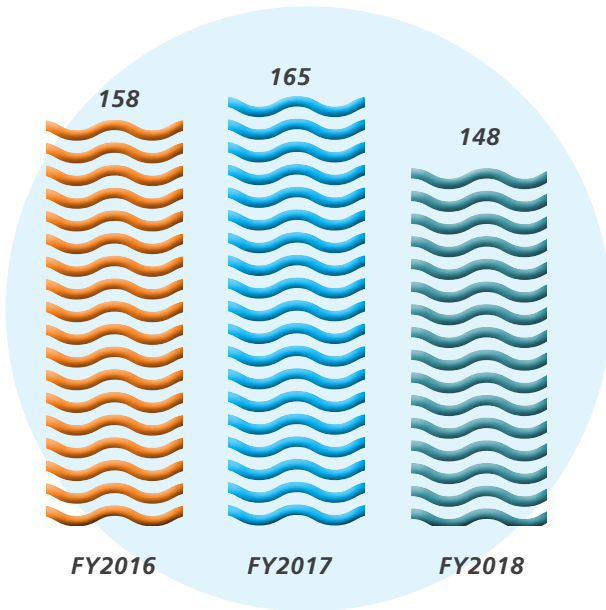


■ Petrol ■ Diesel

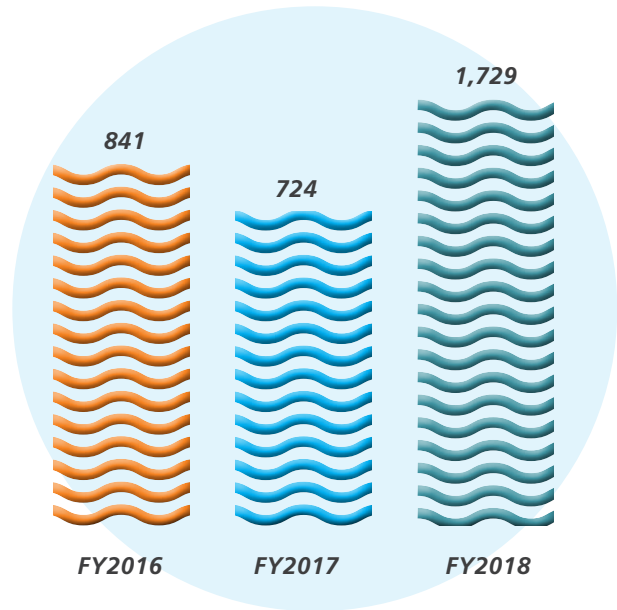
■ Direct ■ Indirect

Sustainability Report 2018

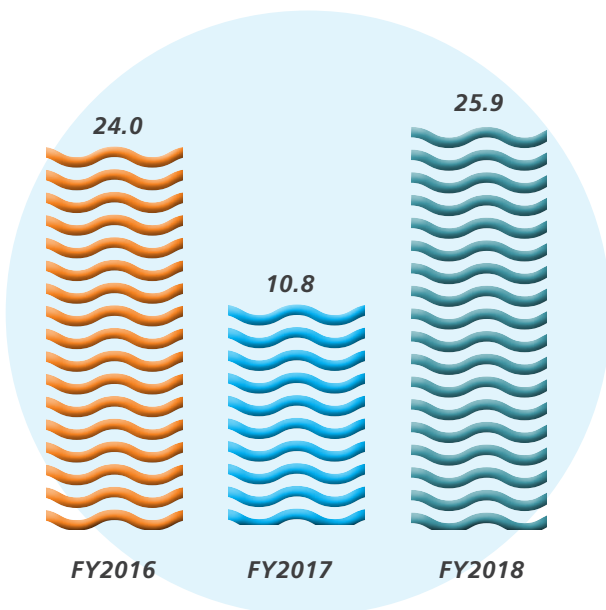
ENERGY INTENSITY
(GJ per m\$ revenue)



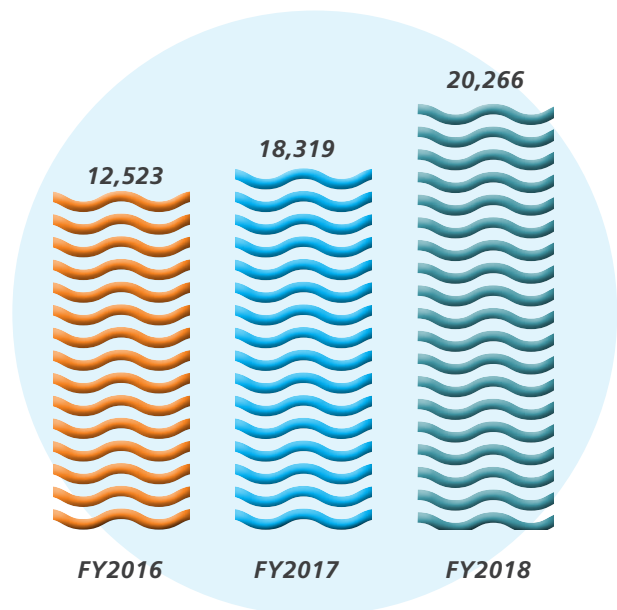
NON-HAZARDOUS WASTE FOR MALAYSIA
(tonnes)



HAZARDOUS WASTE FOR MALAYSIA
(tonnes)



WATER USE
(m³)



Sustainability Report

2018

EMPLOYEES

Our best service delivery is built upon a culture of inclusivity, mutual respect and continual personal development.

Grand Banks is a customer-centric business and our employees are pivotal in delivering service excellence and growing our business. We are committed to be an employer that encourages and allows our people to be and do their best, and in whom employees are passionate to play a part.

To achieve this, we have identified fair employment policies, diversity, inclusivity, talent attraction, retention and development, human rights protection and a safe and healthy working environment as key issues.

Our human resource policies and performance, which we regularly review at the senior management level, ensure our professional management of our employees.

Employment

We employed 747 full-time employees as at the end of 30 June 2018. Direct employees, staff engaged in production activities, represented 84.7% of the headcount.

Diversity

Although our head office is in Singapore and we have manufacturing facilities in Malaysia and Australia, our customers are from markets worldwide. Diversity is therefore something that we value and we welcome different genders, ethnicities and cultures within our organization.

We serve global markets with our head office in Singapore and manufacturing facilities in Malaysia and Australia. Diversity is absolutely important for us. We encourage and cherish gender, ethnic and cultural diversity in our organization. Our employees hail from countries such as America, Australia, Britain, Indonesia, Ireland, Malaysia, Myanmar, New Zealand, Singapore and South Africa.

Gender diversity is still an issue for us as 84.7% of our employees are in production. Yacht manufacture involves carpentry, varnishing, painting, metal work, fiberglass work, plumbing, electrical, mechanical and engineering tasks. These have been traditionally male roles and are not preferred by women in Asian countries. As such, women hold only 8.0% of the jobs in production, but account for 33.3% of our office-based jobs.

Long Service Awards

At the annual Long Service Award ceremony in April 2018, plaques and cheques were given out to employees with the following length of services:

- 5th year: 27 employees
- 10th year: 4 employees
- 15th year: 14 employees
- 20th year: 16 employees
- 25th year: 1 employee

Human Rights

Grand Banks conforms to internationally accepted norms of human rights, including the prohibition of child labor, forced labor and discrimination. Our employees have the right to freedom of association and collective bargaining in accordance with local laws. There were no human rights incidents within our organization in the reported period.

Material Workplace Topics

- Employment
- Diversity
- Attrition
- Training
- Human Rights
- Occupational Health and safety

Sustainability Report

2018

New Hiring

We hired 270 new employees in FY2018. Out of these, 241 employees were hired in our manufacturing facility in Malaysia. The new hires during the year included 34 women.

Training

The landscapes within which our employees operate change as constantly as the tide. It is imperative that our workforce have adequate access to formal and on-the-job training so as to continually develop the skills necessary to do their jobs well.

Our employees attended numerous training programs in FY2018, including thermoplastic welding course, extrusion welding for industrial applications, fire safety training, occupational safety and health training, licensed manufacturing warehouse training, transfer pricing, tax audit and investigation training, hull lamination training and caterpillar pod training.

In 2018, we provided 1,462 hours of training to our employees amounting to an average of 2.03 hours per employee. Average training hours per male employee was 2.16 hours while the figure for female employees was 0.80 hour.

Apprenticeship

Grand Banks believes in tapping on and nurturing local talent. Partnerships with local technical schools in Malaysia and Australia as well as our specialized entry program for graduates allows us to identify and mentor fresh talent for new roles.

Australia's Palm Beach Motor Yacht has a comprehensive four-year long apprenticeship program which gives employees the opportunity to expand their industry knowledge through on-the-job training and studies, either on or offsite. Usually this is offered to younger entry-level employees who seek a deeper understanding of their trade.

In the first three years, the apprentice spends one weekday per term at training institution TAFE and the remaining four days a week on site. The final year is spent on site practicing their newfound skill. Apprentices' wages are increased annually in accordance with Australia's modern award rules and their increasing experience and expertise.

At the end, employees earn a nationally recognized qualification that is also held in high regard in many overseas countries. The industry also benefits from the grooming of better-equipped professionals. In FY2018, 1 apprentice completed their apprenticeship with Palm Beach Motor Yacht, with 4 other apprentices who will complete their apprenticeship in FY2019.

The Australian Government also offers employers incentives at various stages during the program for employing apprentices.

Performance Management

All Grand Banks employees' performance is managed by an extensive and in-depth performance appraisal system. All evaluations are conducted in fairly and objectively.

Employee Engagement

We engage our employees regularly through many ways. These include formal channels such as Joint Consultative Committee meetings, briefings, internal memos and the corporate newsletter, as well as more casual communication via the notice board and team activities.

A key employee engagement feature are our quarterly Town Hall sessions with the CEO. These give senior management and the employees many opportunities to discuss various issues, raise any concerns and give feedback.

Employee Welfare

Besides communications to staff, we strongly believe in the welfare and well-being of our employees. We advocate a healthy work-life balance and promote team bonding so as to achieve a caring and conducive workplace.

New employees are welcomed with an orientation meal. We celebrate the cultural festivals of Chinese New Year, Hari Raya Puasa, Deepavali and Christmas together with all our employees and give them gifts on these occasions as well as on their birthday. We also organize sports activities and conduct a rice distribution and an appreciation lunch every quarter.

Sustainability Report

2018

Employee Turnover

It is our Human Resource strategy to attract, develop and retain the best talent, who will serve passionately as well as with increasingly skill and experience.

Grand Banks' Long Service Record scheme awards cash and plaques to long-serving employees, of whom we have several. The average length of employment in our production facility is eight years.

The overall attrition rate in our Malaysia facility was 24.5% in FY2018 as against 16.7% in FY2017. In Australia, the attrition rate in FY2018 was 18.9% compared with 9.0% in FY2017. Our global attrition rate was 26.7% in FY2018 as compared with 15.6% in FY2017.

Occupational Health and Safety

Employee safety is the top priority for Grand Banks. We conduct regular workplace safety and health checks and act swiftly to manage and prevent any potential risks. Employees undergo regular safety training and instruction on the use of personal protective equipment and safety devices that are attached to relevant equipment, as well as how to respond in the event of emergencies.

We have implemented an Emergency Response Plan to resolve accidents should any occur, and employees are regularly briefed on safe work practices.

Safety Measures

Grand Banks staff wear a wide range of Personal Protective Equipment (PPE) while working within our facilities, including full-face respiratory masks, half-face respiratory masks, safety shoes, safety helmets and safety goggles. These are due to the many chemicals, such as solvents and paints, that we use in our manufacturing operations and which may cause skin irritation or respiratory problems.

We maintain a healthy air quality within our facility with an atmospheric monitoring system that randomly tests for and measures various toxins in the atmosphere. This will alert us to any high level of toxicity and help to prevent accidental exposure through activation of the proper PPE protocols.

Other pollutants from our manufacturing include noise and dust from woodwork. Other potential hazards include the risk of getting caught in moving parts of a machine, cuts from the sharp cutting edges of sawing machines, electrical shocks, trips, falls and fire.

To minimize these, machines are fitted with the appropriate safety guards while all employees are required to adhere to our Lock-Out-Tag-Out procedures.

However, we always encourage innovation to make a process or equipment safer and more productive. Our sanding machine has a dust extraction system to keep the environment cleaner and healthier. Similarly, all of our other power tools are outfitted with individual extraction units that trap and extract 90% of dust and other contaminants produced during operation.

Safety Committee

Safety is a company-wide culture and Grand Banks has a Health and Safety Committee comprising representatives from various departments. The production facility also has a trained Fire Squad and 12 certified First Aiders. A new first aid room is currently being fitted out which will be operational by October 2018. We have also hired a qualified medical assistant who is scheduled to join in October 2018.

Injuries

There were no fatal accidents in the reported period. There were no incidents of injury or occupational disease among female employees. Every injury is investigated and a practical corrective action is subsequently implemented.

Sustainability Report 2018

A summary of our main health and safety metrics for male employees for the past two years is as follows:

Indicator	Malaysia		Australia	
	FY2017	FY2018	FY2017	FY2018
Workplace Injury Rate*	3,499	2,923	12,821	12,857
Accident Frequency Rate*	21	16	91.2	97.4
Occupational Disease Incidence Rate	0	0	0	0
Fatalities	0	0	0	0

Notes:

Workplace injury rate = (Workplace injury)/(No. of employees) x 100,000

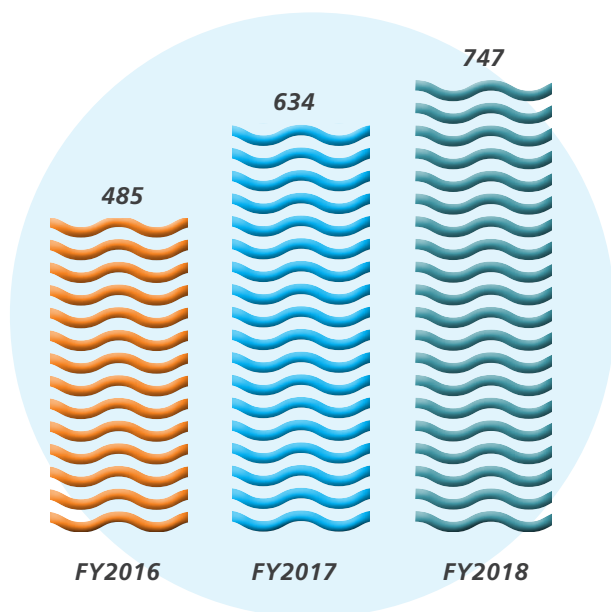
Accident frequency rate = (Workplace accident report)/(Man hours) x 1,000,000

Occupational disease incidence rate = (Occupational disease)/(No. of employees) x 100,000

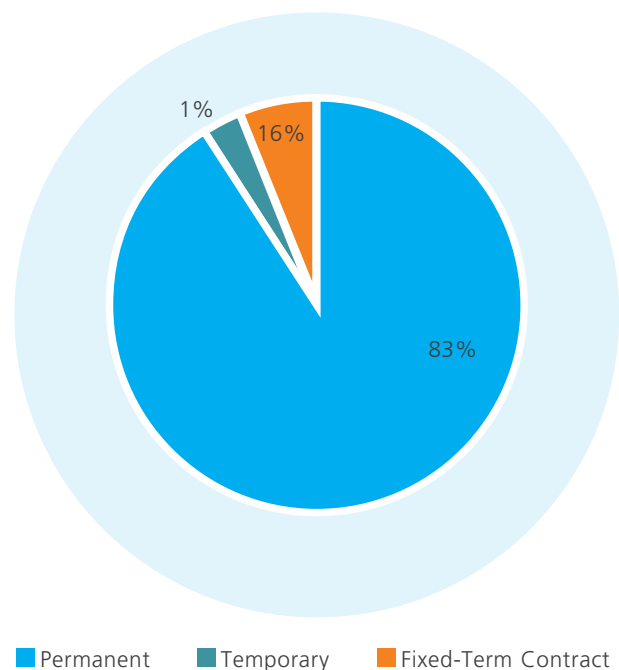
* Workplace Injury Rate and Accident Frequency Rate for FY2017 have been restated due to a calculation error.

OUR WORKPLACE PERFORMANCE

NUMBER OF FULL-TIME EMPLOYEES



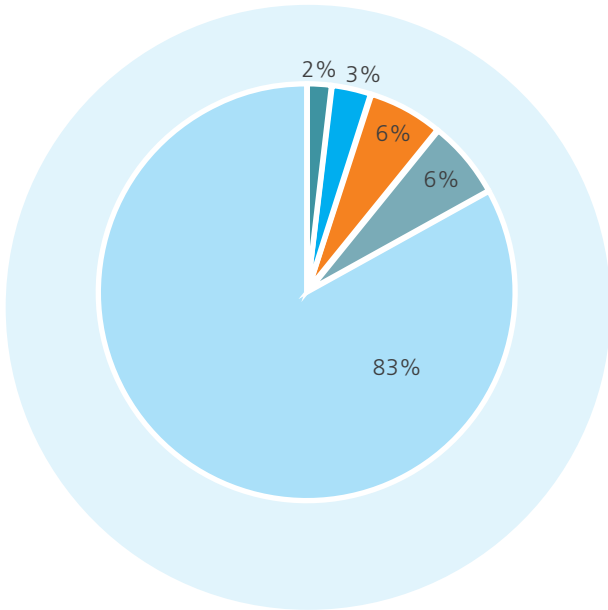
WORKFORCE BY EMPLOYMENT TYPE FY2018



■ Permanent ■ Temporary ■ Fixed-Term Contract

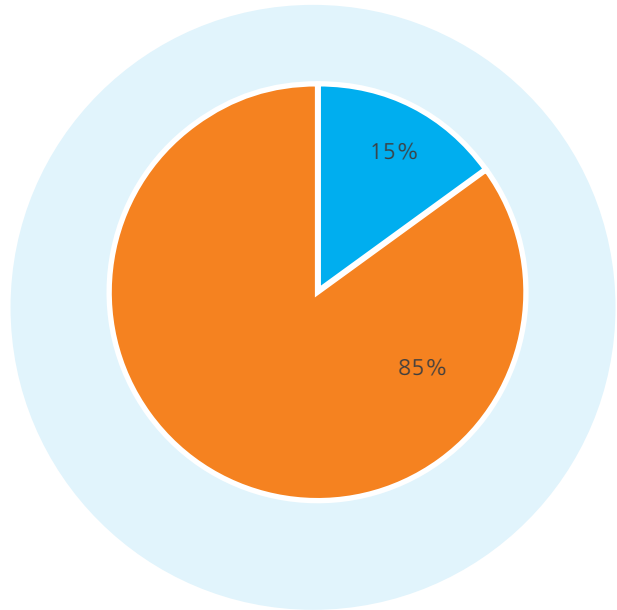
Sustainability Report 2018

EMPLOYEES BY JOB PROFILE
FY2018



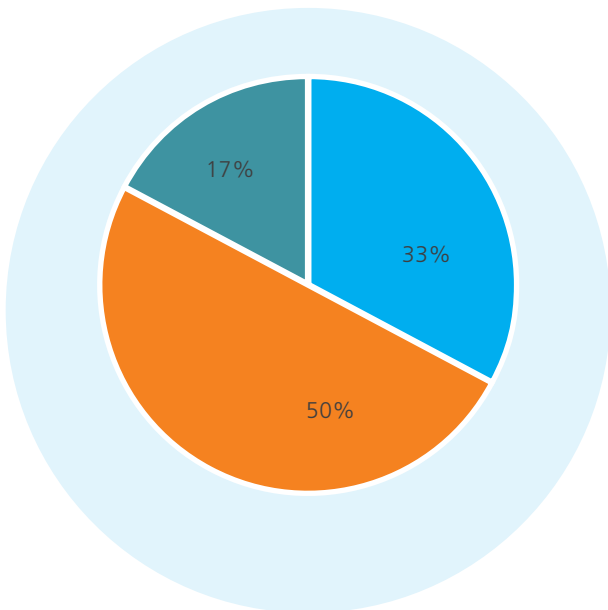
■ Senior Executives ■ Mid-level Executives
■ Executives ■ Non-executives ■ Production employees

DIRECT EMPLOYEES (PRODUCTION WORKERS)
FY2018



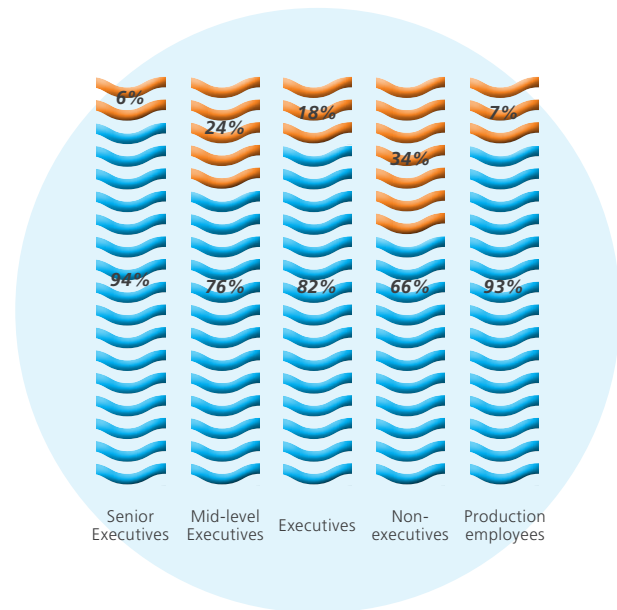
■ Direct Employees ■ Indirect Employees

DIVERSITY BY AGE
FY2018



■ Under 30 years old ■ 30-50 years old
■ Over 50 years old

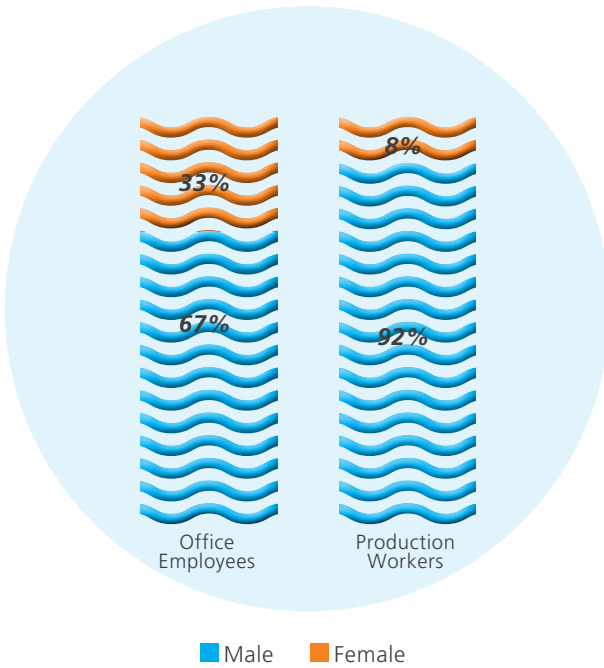
GENDER DIVERSITY BY EMPLOYMENT CATEGORY
FY2018



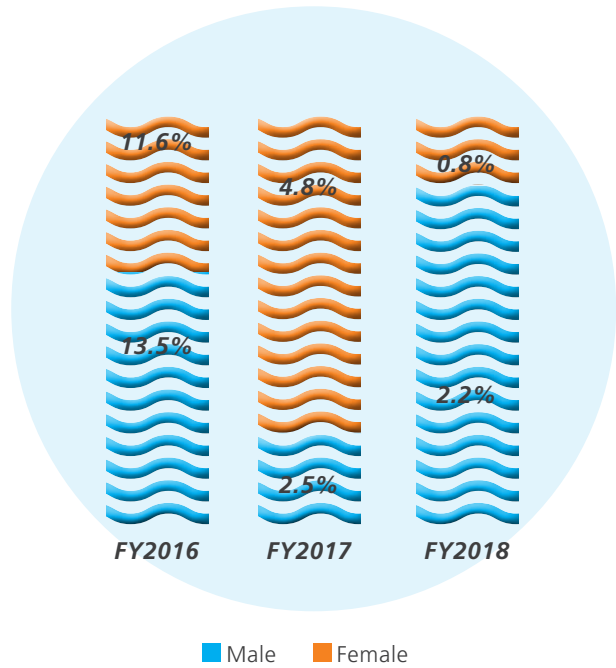
■ Male ■ Female

Sustainability Report 2018

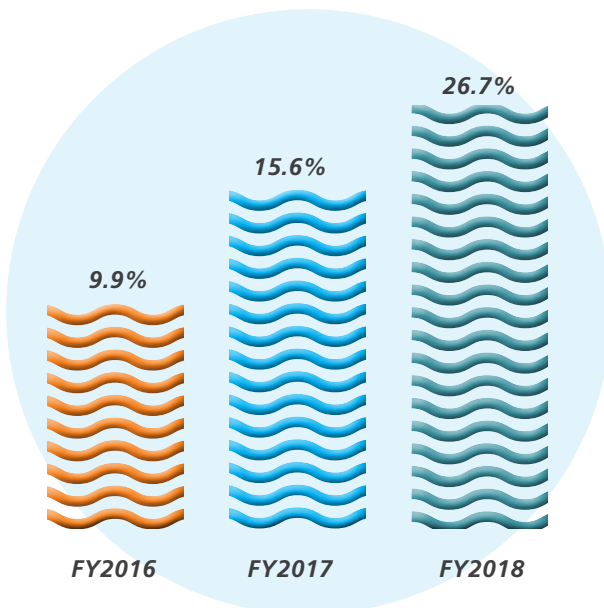
GENDER DIVERSITY BY JOB FUNCTION



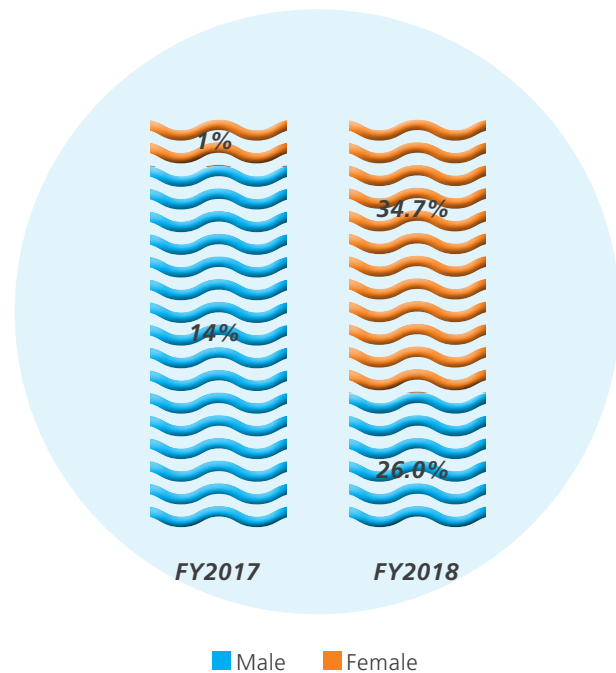
AVERAGE TRAINING HOURS PER EMPLOYEES



EMPLOYEE TURNOVER RATE

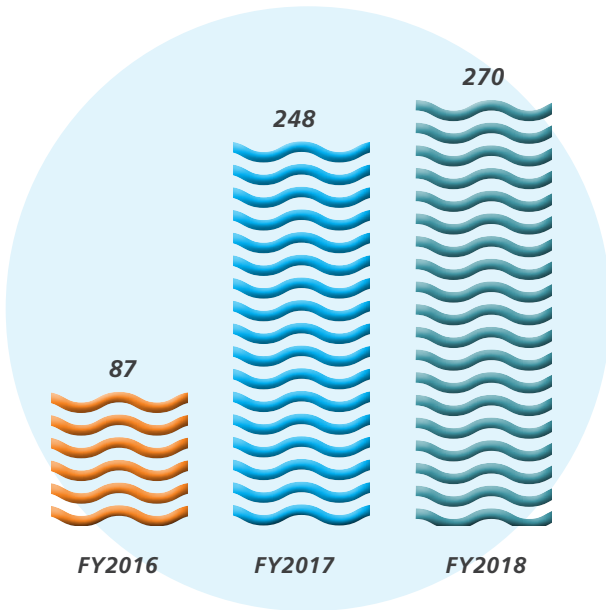


EMPLOYEE TURNOVER BY GENDER

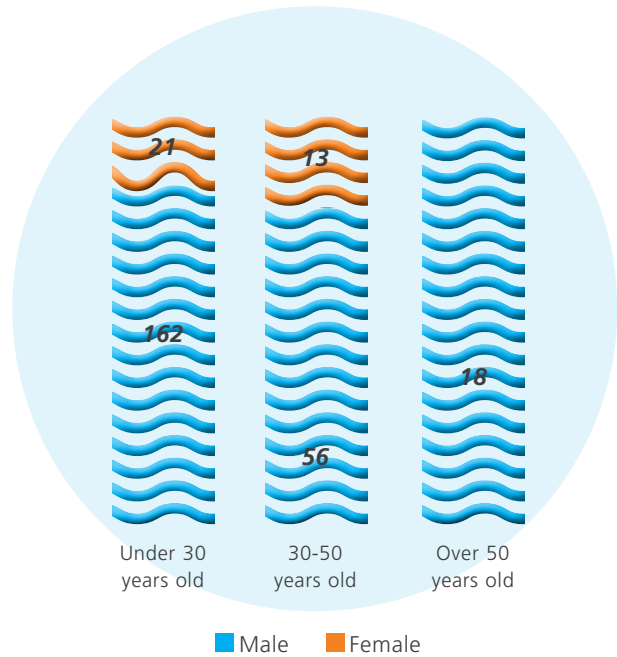


Sustainability Report 2018

NEW HIRES



NEW HIRES BY AGE AND GENDER
FY2018



MARKETPLACE

We aim to establish Grand Banks and Palm Beach as trusted, reliable and responsible yacht brands for our customers, the community and the environment.

Ethics is a watchword that guides our business policies and practices. This extends to our delivering products of the highest quality, providing dedicated customer service and building trusted partnerships.

Material Marketplace Factors

- Product quality
- Customer service
- Supply chain
- Anti-corruption
- Compliance

Product Quality

Grand Banks yachts sail high on decades of construction experience, buoyed by technological innovations and propelled by the most dependable engines and equipment. Owners can be assured that each vessel is superbly shipshape.

All our yachts adhere to the highest safety standards and enjoy international certifications. As at 30 June 2018, we have nine yacht models with the renowned National Marine Manufacturers Association Boat and Yacht Certification, an assurance that Grand Banks boats are built to the high standards set by the American Boats & Yacht Council. Many of our boats also have the CE Mark, allowing us to sell these boats to the European Union nations. We are working towards obtaining the CE Mark for additional three yacht models.

Sustainability Report

2018

Customer Service

Our yacht owners can rely on an extensive Authorized Service Centre Network around the world for maintenance and repairs. Each Network member is a proven operator in all areas of service and repair and also receive training specific to Grand Banks yachts directly from our factories in Malaysia and Australia. They are also supported by full-time service personnel in the USA.

In May 2018, Grand Banks acquired Stuart Yacht Corporation in Stuart, Florida, promising excellent service and support for Grand Banks yachts owners along the East Coast, as well as continued service for owners of other yacht and boat brands. This 12,000-square-foot, full-service boat yard has a dedicated, highly experienced team that includes many of the yard's original, trusted crew, and technicians with an intimate understanding of Grand Banks yachts.

Stuart Yacht Corporation's premises will serve as Grand Banks' U.S. headquarters, offering dockage, an inventory of Grand Banks parts and accessories, a 50-ton travel lift, and the following services:

- Haul outs and bottom painting
- Top coat painting, varnishing, gel-coat and fiberglass repair
- Engine and generator services/repair
- Running gear services/repair
- Marine systems and electronics
- Stabilizer and thruster services/repair
- Mechanical and electrical services/repair
- Mobile dockside service

Helping Customers Sell Their Yachts

We have created Grand Banks Yacht Sales, a dedicated service for our customers who may want to sell their yacht, trade-in on another model or looking to build a new one. Our customers can have a complete peace of mind that their yacht can be priced correctly and sold efficiently when needed. In just three years, Grand Banks Yacht Sales has become the number-one reseller of Grand Banks brands, according to SoldBoats.com.

Engaging Customers

Engaging with our customers is key to understanding their expectations and building long term relationships.

Our rendezvous events are a great way to get our customers together to build lasting bonds. In June 2018, Grand Banks held an owners' rendezvous at the Mystic Seaport Museum in Mystic, Connecticut, USA, in celebration of the Grand Banks Eastbay's 25th anniversary.

The owners of a dozen Eastbay yachts ranging from 38 to 55 feet convened for a weekend of camaraderie. Attendees were treated to a tour of the Mystic Seaport Museum, the country's premier maritime museum and a center for research and education, which included access to various collections and moments of nautical history. Owners also toured one another's Eastbay yachts, saw how each had chosen to customize and decorate his boat.

The Puget Sound Grand Banks Rendezvous continues to be one of the largest gatherings of Grand Banks yachts (including the Grand Banks' Eastbay, Aleutian and Alaskan series) in USA. In May 2018, this year's 'Back to the Island', Jimmy Buffett-themed event welcomed 72 yachts, ranging in size from wooden Grand Banks 32s to a Grand Banks Eastbay 54. Organized by the very active Puget Sound Grand Banks Owners Association (PSGBOA), the rendezvous featured an ideal combination of informative activities, entertainment and just good old fun boat talk. Highlights included a cooking demo, a wine tasting, yoga, safety and service seminars, a Grand Banks factory update, docking demos and a fun overview on commercial tugs.

Grand Banks is proud to be among one of the sponsors and looks forward to continuing to support the PSGBOA at the next event.

Sustainability Report

2018

Yacht Shows

We participate in various yacht shows around the world which provides us with opportunities to engage with existing and prospective customers. In FY2018, among others, we participated in the following yacht shows:

- Newport, USA: September 2017
- Norwalk, USA: September 2017
- Annapolis, USA: October 2017
- Fort Lauderdale, USA: November 2017
- Dusseldorf, Germany: January 2018
- Miami, USA: February 2018
- Singapore: April 2018
- Sanctuary Cove, Australia: May 2018

Marine Insurance

For greater peace of mind, Grand Banks works with ABD Insurance & Financial Services, Inc. for insurance packages specially tailored to Grand Banks yacht owners. These insurance services are readily available online.

The insurance policy package includes coverage for:

- Broad Navigation Limits
- Expanded Physical Damage Coverage
- Reducing Deductible Rewarding Loss-Free Experience
- Expanded Loss of Use Coverage
- Document Replacement Coverage
- Increased Limits for Watercraft and Pollution Liability
- Personal Vehicle and Miscellaneous Watercraft Coverage
- Contractual Liability
- Watersports Liability
- Emergency Veterinary Expenses

Underwriters of the policies recognize and acknowledge both the outstanding quality of Grand Banks yachts as well as the seamanship of the typical Grand Banks yacht owners, affording our customers broad coverage at exceptional prices.

Anti-corruption

All our business is conducted aboveboard, with the highest ethical standards and utmost integrity. Our strict anti-bribery policy prohibits all employees from offering or receiving bribes or kickbacks. There were no confirmed incidents of corruption in the reported period.

Compliance

Grand Banks operates in full compliance with all applicable laws. There were no known incidents of non-compliance with laws or regulations in the reported period.

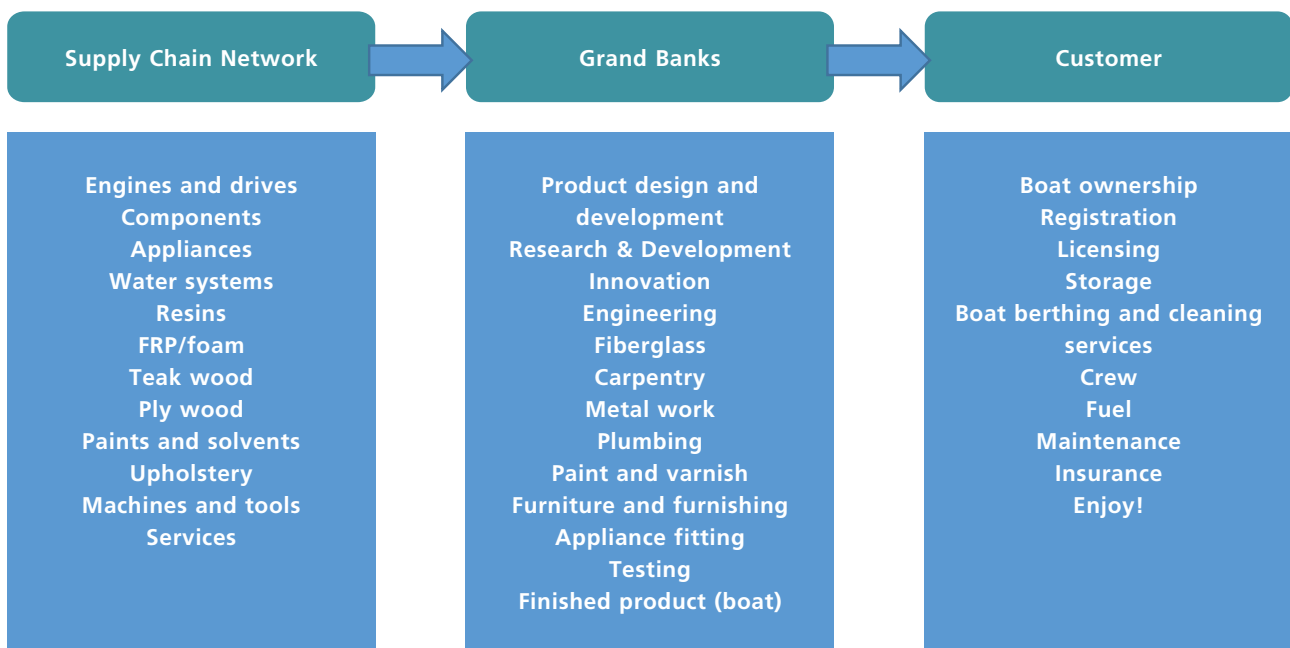
Supply Chain

We rely on our supply chain to regularly procure a multitude of materials and components to construct, furnish and equip Grand Banks boats to the highest quality. These items include engines, drive systems, appliances, air-conditioning systems, water systems, lighting systems, electrical wires and products, components, resin, glass, FRP/foam, gelcoat, canvas, upholstery, fabric, leather, teak wood, plywood, adhesives, solvents, paints, varnish, rubber and insulation materials. This is the reason Grand Banks adheres to stringent ethical policies and a fair procurement process to purchase all goods and services.

Sustainability Report 2018

Engaging our key suppliers on material sustainability issues is an area that is currently under study. (Please refer to the Economic Performance chapter for more information about our suppliers)

OUR VALUE CHAIN



COMMUNITY

Grand Banks strives to be a responsible and exemplary corporate citizen by supporting local communities where we operate in and minimizing our operations' impact on those communities and the environment at large.

Our manufacturing facility in Malaysia is located in an industrial area. Most of our employees are local and this facility provides employment for the local and neighbouring communities.

The welfare of this community affects us and we therefore support them with a number of initiatives. Besides the annual Grand Banks-sponsored blood donation drive which we started in 2017, we also support the Fire Brigade, Customs-Sports Welfare, community sports activities, the Police Sports Welfare Fund, Immigration Sports Club and the Mouth & Foot Handicap Society.

Palm Beach Motor Yacht supports various local organizations and efforts in Australia. These include helping special needs children through the Lions Club of Wyoming Inc., providing MenShed with timber offcuts for retirees to do craftwork and hosting a fundraising morning tea for our employees in support of the Pink Ribbon Drive, which supports Breast Cancer patients in Australia.

Sustainability Report

2018

ECONOMIC PERFORMANCE

Our commitment to creating economic value stems from the fact that that is one of the foremost expectations of our shareholders, employees, local communities and other stakeholders. How we create and distribute economic value is presented below.

SUMMARY OF OUR ECONOMIC PERFORMANCE			
Financial Year			
<i>Economic performance indicators</i>	FY2016	FY2017	FY2018
Operating revenue (\$m)	58.7	58.7	83.5
Net profit (\$m)	2.0	0.5	9.5
Total operating expenses (\$m)	9.0	9.9	15.3
Employee wages and benefits (\$m)	17.1	21.3	25.4
Taxes – Credit/(Expenses) (\$m)	0.7	(0.4)	3.6
Dividends paid/declared to shareholders (\$m)	None	None	0.9

For detailed financial and corporate governance information, please refer to the Annual Report section of this combined report.

Indirect Economic Impacts

Grand Banks' operations contribute to the development and growth of the economies within which we operate in. Our manufacturing facilities in Malaysia and Australia create jobs while growing the industry by developing the workforce's skills and capabilities in building world class boats. Local governments obtain the revenue necessary for their nation building from the taxes we contribute.

Local Suppliers

We believe in supporting and purchasing from locally based suppliers to sustain local businesses and create indirect jobs. In FY2018, the local vendors' share of our total purchase was 33% for Malaysia and 93% for Australia.

Sustainability Report

2018

GRI CONTENT INDEX

GRI Content Index 'In accordance' – Core		
GRI Standard	Disclosure	Page Number(s) and/or URL(s)
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
General Disclosures		
GRI 102: General Disclosures 2016	Organisational Profile	None
	102-1 Name of the organisation	Cover page
	102-2 Activities, brands, products, and services	Inside front cover
	102-3 Location of headquarters	Singapore
	102-4 Location of operations	Inside front cover
	102-5 Ownership and legal form	Inside front, 112-113
	102-6 Markets served	Inside front cover
	102-7 Scale of the organization	Inside front cover, 122
	102-8 Information on employees and other workers	122, 132-138
	102-9 Supply chain	140, 141, 142
	102-10 Significant changes to the organization and its supply chain	None
	102-11 Precautionary Principle or approach	126
	102-12 External initiatives	121, 138
	102-13 Membership of associations	Federation Malaysian Manufacturing, American Boat & Yacht Council, Boating Industries Alliance Australia
	Strategy	
	102-14 Statement from senior decision-maker	4-5, 125
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	13-51
	Governance	
	102-18 Governance structure	13-51
	Stakeholder Engagement	
	102-40 List of stakeholder groups	125-126
	102-41 Collective bargaining agreements	None
	102-42 Identifying and selecting stakeholders	125-126
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GRAND BANKS YACHTS LIMITED

BOARD OF DIRECTORS CHAIRMAN

Heine Askaer-Jensen

EXECUTIVE

Mark Jonathon Richards

INDEPENDENT

Heine Askaer-Jensen
Basil Chan
Gary James Weisman

NON-INDEPENDENT NON-EXECUTIVE

Gerard Lim Ewe Keng

RISK MANAGEMENT & AUDIT COMMITTEE

Basil Chan*
Heine Askaer-Jensen
Gerard Lim Ewe Keng
Gary James Weisman

REMUNERATION COMMITTEE

Heine Askaer-Jensen*
Basil Chan
Gerard Lim Ewe Keng

NOMINATING COMMITTEE

Basil Chan*
Heine Askaer-Jensen
Gerard Lim Ewe Keng

STRATEGIC COMMITTEE

Gary Weisman*
Heine Askaer-Jensen
Mark Jonathon Richards

MANAGEMENT TEAM

MARK JONATHON RICHARDS

Chief Executive Officer

CHIAM HENG HUAT

Chief Financial Officer

COMPANY SECRETARY

Ler Ching Chua

REGISTERED OFFICE SINGAPORE

274 Upper Bukit Timah Road
#03-16, Singapore 588213
Phone: +65 6545 2929
Fax: +65 6733 1527
Email: gbsg@grandbanks.com

REGISTRAR & SHARE TRANSFER OFFICE Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

CORPORATE INFORMATION

CORPORATE SALES & MARKETING

Grand Banks Yachts Ltd
11 Waites Wharf
Newport, RI 02840, USA
Phone: +1 (401) 236 6310

FLORIDA CORPORATE HEADQUARTERS

450 SW Salerno Road
Stuart, FL 34997
Phone: +1 (772) 286 9800

RHODE ISLAND DOCK OFFICE

10 Spring's Wharf
Newport, RI 02840, USA
Phone: +1 (401) 396 2767

FLORIDA SALES OFFICE

850 NE 3rd Street, Suite 210
Dania Beach, FL 33004, USA
Phone: +1 (954) 530 4379

INVESTOR RELATIONS CONTACT

WeR1 Consultants Pte Ltd

3 Phillip Street #12-01
Royal Group Building
Singapore 048693
Tel: +65 6737 4844
Fax: +65 6737 4944

PRODUCTION FACILITIES

MALAYSIA

Grand Banks Yachts Sdn Bhd
PLO 488, Jalan Suasa
81707 Pasir Gudang
Johor, Malaysia
Phone: +60 7251 7488
Fax: +60 7251 7388

AUSTRALIA

Palm Beach Motor Yacht Co Pty Ltd
50 Newbridge Road
Berkeley Vale, NSW 2261
Australia
Phone: (+61) 24389 1244

AUDITORS

KPMG LLP

Public Accountants and
Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-in-charge:
Ms Ong Chai Yan
Since the financial year ended
30 June 2016

**Denotes Committee Chairman*



GRAND BANKS YACHTS LIMITED

274 Upper Bukit Timah Road #03-16 Singapore 588213

Company Registration No. 197601189E

