



GRAND BANKS YACHTS LIMITED



ENHANCING THE QUALITY OF LIFE

ANNUAL REPORT 2020

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 yard at Pasir Gudang, Johor, Malaysia. The yachts, which range between 42 feet and 85 feet, have a reputation for impeccable quality that delivers an unrivalled performance.

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

TABLE OF CONTENTS

IFC*ABOUT GRAND BANKS
YACHTS LIMITED

* Inside front cover

02CHAIRMAN'S
STATEMENT**04**

CEO'S MESSAGE

06FY2020 FINANCIAL
HIGHLIGHTS**08**BOARD OF
DIRECTORS**13**CORPORATE
GOVERNANCE
REPORT**51**DIRECTORS'
STATEMENT**56**INDEPENDENT
AUDITORS' REPORT**62**STATEMENTS OF
FINANCIAL POSITION**63**CONSOLIDATED
INCOME STATEMENT**64**CONSOLIDATED
STATEMENT OF
COMPREHENSIVE
INCOME**65**CONSOLIDATED
STATEMENT OF
CHANGES IN EQUITY**67**CONSOLIDATED
STATEMENT OF
CASH FLOWS**68**NOTES TO
THE FINANCIAL
STATEMENTS**125**STATISTICS OF
SHAREHOLDINGS**127**NOTICE OF
ANNUAL GENERAL
MEETING**131**ADDITIONAL INFORMATION
ON DIRECTORS SEEKING
RE-APPOINTMENT AT THE
ANNUAL GENERAL MEETING
ON 28 OCTOBER 2020**137**

PROXY FORM

139SUSTAINABILITY REPORT
2020

CHAIRMAN'S STATEMENT

“Against these obstacles, the management team responded decisively. It saw the crisis as an opportunity to reshape the Group’s operations to adapt to a post-COVID-19 world.”

HEINE ASKAER-JENSEN

Chairman of the Board of Directors



DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the annual report of Grand Banks Yachts Limited (“Grand Banks” or “the Group”) for the financial year ended 30 June 2020 (“FY2020”). Against the turbulent economic backdrop due to the COVID-19 pandemic, the Group recorded a fifth consecutive year of profitability.

Our group recorded a net profit of S\$1.1 million during the year in review on the back of revenue of S\$103.2 million.

As we are all aware, virtually all business sectors are experiencing unprecedented disruptions across the world because of the pandemic. These disruptions have compounded an operating environment already challenged by global trade tensions and weaker consumer sentiment.

Grand Banks Yachts felt the impact of the pandemic – which coincided with the second half of FY2020 – in two key areas, operations and marketing. In March 2020, we suspended operations at our main yard in Pasir Gudang for eight weeks in compliance with the Movement Control Order issued by the Government of Malaysia in response to the pandemic.

As a result, we incurred significant unabsorbed labour and overhead costs. We took major steps to reduce operating costs, including cutting management salaries and reducing working hours in Malaysia. Since July, the salary cuts and working hours have been fully restored to original.

Sales and marketing efforts were also hampered by the cancellation of several major boat shows in Europe, Australia and our main market in the U.S.A., due to the dampened economic sentiment and travel restrictions globally.

Against these obstacles, the management team responded decisively. It saw the crisis as an opportunity to reshape the Group’s operations to adapt to a post-COVID-19 world. We took the necessary measures to ensure the health and well-being of our staff worldwide and I am glad to report that we have not recorded any instance of infection.

After years of facility upgrades and investments in automation, the Pasir Gudang facility has effectively served as the main production and procurement centre for all three brands of the Group – Grand Banks, Palm Beach and Eastbay. To streamline Group-wide efficiencies, we have begun relocating our boat production operations at Berkeley Vale, Australia, to Pasir Gudang, Malaysia.

The entire process is expected to be completed by December 2020. This exercise will allow us to take advantage of economies of scale and improve operational efficiency. In line with the consolidation, we have also taken the opportunity to right-size our operations, reducing our workforce by 13.6% to 734 employees on a global scale.

CHAIRMAN'S STATEMENT



To prepare for headwinds, we have strengthened our balance sheet by raising cash and cash equivalents through reduction in inventory while lowering our borrowings by more than half. Our cash and cash equivalents at the end of FY2020 rose to S\$10.7 million as compared to S\$8.6 million last year.

Hence, shareholders can be assured that we have taken the necessary steps to remain agile and flexible in these uncertain times.

But amid the storm clouds, we should remain positive as there are silver linings of optimism. We recorded healthy sales during this period. This is a sure sign of strong market demand for our boat models in these times. The net order book amounted to S\$48.9 million as at 30 June 2020, which should keep the team at Pasir Gudang busy for the coming year.

I would like to take this opportunity to thank the Grand Banks team, who have adapted quickly to an intensely challenging situation. Through their hard work, the Group remained profitable and has a steady order book. The ongoing consolidation at Pasir Gudang should yield more efficiencies and economies of scale by having all boat production under one roof.

On behalf of the Board, I would like to extend my gratitude to all our customers, business associates and employees. We appreciate the trust you have placed in the Grand Banks brands which is what keeps us motivated to constantly add more value.

Last but not least, I would like to thank all our shareholders for your loyalty and patience through this difficult time. We will continue to strive to bring value to all our stakeholders in the coming year and beyond.

In appreciation,

HEINE ASKAER-JENSEN

Chairman of the Board of Directors

CEO'S MESSAGE



“On a positive note, the increase in sales clearly indicated that the market is receptive to our boat designs despite the economic outlook.”

MARK J. RICHARDS
Executive Director & CEO

DEAR SHAREHOLDERS,

The global boat industry has been deeply impacted by the COVID-19 pandemic, with production, sales and marketing efforts disrupted on a major scale. This has affected our performance for the financial year ended 30 June 2020 (“FY2020”).

The outbreak of the pandemic – along with the ensuing health and movement restrictions as well as dampened sentiment for luxury boats – coincided with the second half year of our reporting period (2H FY2020).

The priority of the management under my leadership focused on several aspects during this challenging period.

The first is the health and well-being of our staff while remaining in full compliance of safety measures imposed in countries we operate in. Hence, we temporarily suspended our operations in Malaysia.

The second is to respond to the crisis by restructuring our operations. The Group has taken extensive cost-containment measures which included a temporary 50% remuneration cut for the Directors as well as the Management team. These salaries were later reinstated after achieving better operational efficiency.

The Group also reduced the workforce by 13.6% since the end of 1H FY2020 to 734 staff at the end of 2H FY2020. We have also taken the decision to relocate our boat production activities in Berkeley Vale, Australia to Pasir Gudang, Malaysia, where we have invested several years of restructuring efforts and shopfloor improvements. The relocation process is expected to be completed by December 2020 and will mean the Group will have yards in Pasir Gudang as well as in Stuart, Florida.

The third is to strengthen our overall financial position. This was achieved through a sales strategy undertaken in 2H FY2020 to increase sales of stock and trade-in boats. All told for FY2020, we secured orders for 35 boats of which 20 were sold in 2H FY2020 (including seven inventory boats and six trade-ins). This strategy allowed us to achieve a healthy revenue of S\$103.2 million for the whole of FY2020 which in turn allowed us to record a fifth consecutive year of profitability.

CEO'S MESSAGE



On a positive note, the increase in sales clearly indicates that the market is receptive to our boat designs despite the economic outlook. In line with our sales efforts, we have also lowered borrowings to S\$6.7 million from S\$16.0 million a year ago. This was done while increasing cash and cash equivalents to S\$10.7 million as compared to S\$8.6 million in FY2019.

Looking ahead, the challenge of the pandemic served as a major opportunity to restructure and strengthen our foundation. Grand Banks now has a better cost structure, a streamlined manufacturing footprint and an improved balance sheet. Demand for our boat brands remains firm. As of 30 June 2020, our net order book stood at S\$48.9 million as compared to S\$54.6 million a year ago. This is commendable considering the exceptional challenges of the operating environment.

We still have to contend with issues such as travel restrictions and cancellation of boat shows, while remaining mindful of the health and safety of our team. We will also continue to focus on cost-containment measures while ensuring quality and timeliness of updated delivery schedules.

As we continue to grow our business, we remain committed to embedding sustainability in all aspects of our operations. We have continued to report our sustainability performance against the identified material Environmental, Social and Governance (ESG) factors per the globally recognised GRI Standards for Sustainability Reporting, and in conformance with the SGX Sustainability Reporting Guide.

I would like to thank all our employees, business partners, suppliers, customers and shareholders for their trust and support. The team has been working tirelessly these past five years. We are now navigating through rough waters. We will continue to stay prudent and strive to enhance value for all stakeholders.

MARK J RICHARDS

Executive Director & Chief Executive Officer

FY2020 FINANCIAL HIGHLIGHTS

For the financial year ended 30 June 2020 ("FY2020"), revenue totalled S\$103.2 million, an increase of 29.7% from S\$79.6 million for the previous corresponding period, mainly due to higher sales of trade-in and stocks boats in 2H FY2020.

Despite temporarily suspended the operations at the manufacturing yard in Pasir Gudang amid the COVID-19 outbreak, the Group managed to record a net profit of S\$1.1 million as compared to S\$1.5 million recorded in FY2019. The gross profit margin was recorded at 18.3% as compared to 21.3% previously, as more trade-in and stock boats – which typically carry lower margins – were sold as well as the temporary closure of the Pasir Gudang factory for two months.

Total operating expenses in FY2020 increased to S\$16.7 million from S\$14.4 million in FY2019 mainly due to the restructuring costs of S\$1.5 million relating to redundancies arising from the pandemic and cost provisions to shut down the manufacturing facility in Berkeley Vale, Australia by December 2020. The activities in Australia will be relocated to Pasir Gudang, Malaysia.

Finance costs for the year were higher due to more inventory boats under financing for the entire year. Foreign exchange losses led to high non-operating expenses in FY2020.



The tax credit in FY2020 was S\$0.2 million due to losses incurred by certain subsidiaries which was a decrease in comparison to S\$0.3 million in FY2019.

Cash flows from operations were S\$18.1 million in FY2020, compared to cash flow used in operations of S\$1.6 million in FY2019. This was primarily due to lower inventories and higher provisions as well as higher contract liabilities partially offset by an increase in contract assets. The decrease in inventories was due to the sales of inventory boats and trade-in boats in 2H FY2020. The increase in provisions was due to the provisions of restructuring and restoration costs. The increase in contract liabilities was due to deposits from customers for new orders in 2H FY2020. The increase in contract assets was due to work-in-progress not yet due for billing but already recognised as revenue.

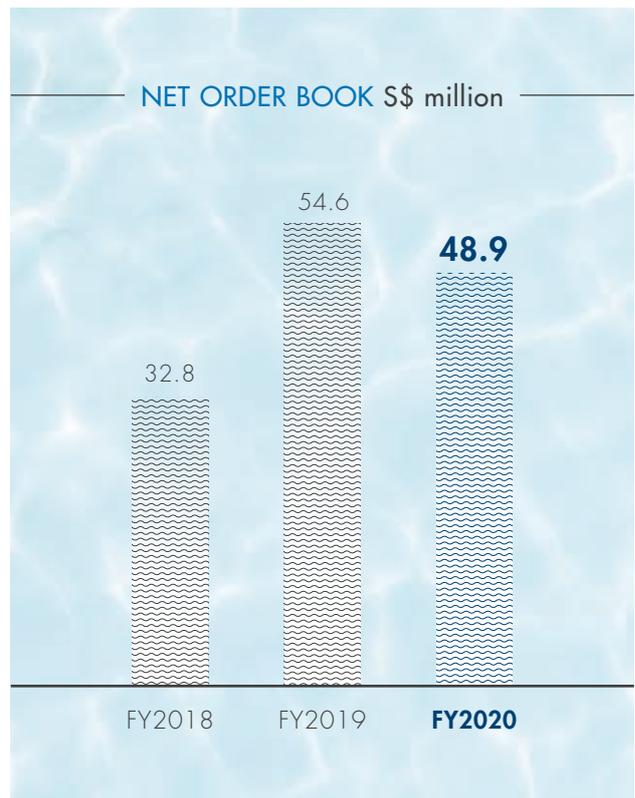
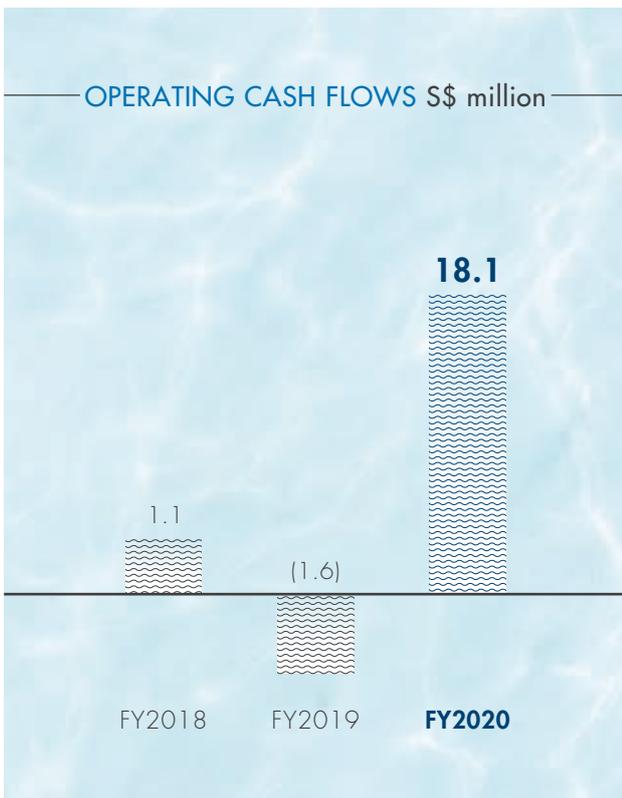
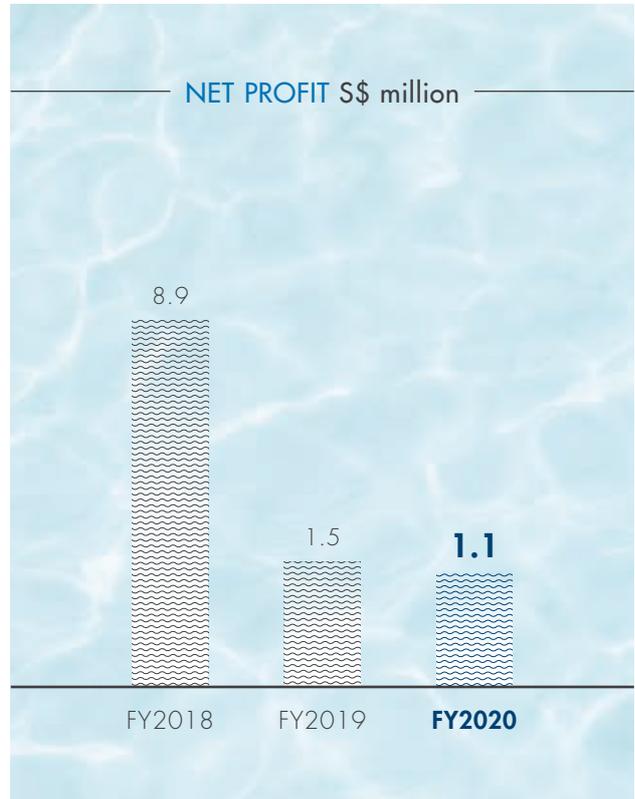
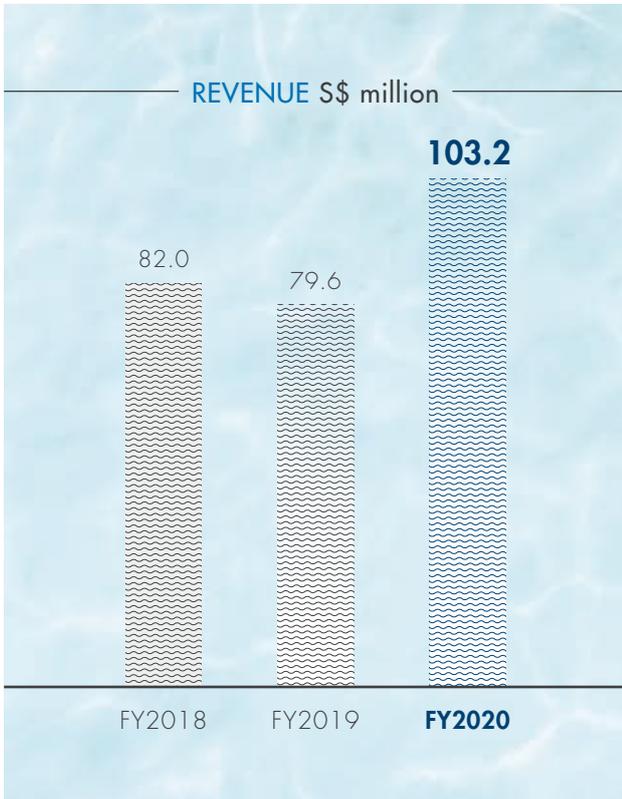
Cash flows used in investing activities for FY2020 amounted to S\$3.8 million mainly due to the development of new yacht models compared to S\$7.7 million used in FY2019 for the development of the same and factory improvements at the Pasir Gudang facility in Malaysia.

Repayment of borrowings led to negative cash flows from financing activities in FY2020 to S\$12.2 million as compared to positive cash flows of S\$9.2 million in FY2019. The positive cash flows in FY2019 were due to the proceeds from interest-bearing loans and financing of inventory boats, partially offset by the repayment of loans, deferred consideration (principal and interest) and dividend payment of S\$0.9 million.

The Group strengthened its cash position with an increase in cash and cash equivalents in FY2020 to S\$10.7 million as compared to S\$8.6 million last year.

The Group received 35 new boat orders of which 20 were sold in 2H FY2020 which led to an increase in boat sales with seven inventory boats and six trade-in boats sold in 2H FY2020. Grand Banks' net order book as at 30 June 2020 stood at S\$48.9 million as compared to S\$54.6 million a year ago.

FY2020 FINANCIAL HIGHLIGHTS



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 24 October 2019.

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 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 in August 2014. He was last re-elected to the Board on 24 October 2019.

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.

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 nine 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.

BOARD OF DIRECTORS



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 25 October 2018.

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 of the Institute of Chartered Accountants in England and Wales ("ICAEW") as well as a Fellow 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. 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 also previously sat on the Corporate Governance and Risk Management Committee of ISCA where he was 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 four other SGX-listed companies, namely AEM Holdings Limited, Memories Group Limited, Broadway Industrial Group Limited and Nera Telecommunications Ltd. In the last three years, he had previously sat on the Boards of Yoma Strategic Holdings Ltd. and Global Invacom Group Limited.

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 25 October 2018.

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.

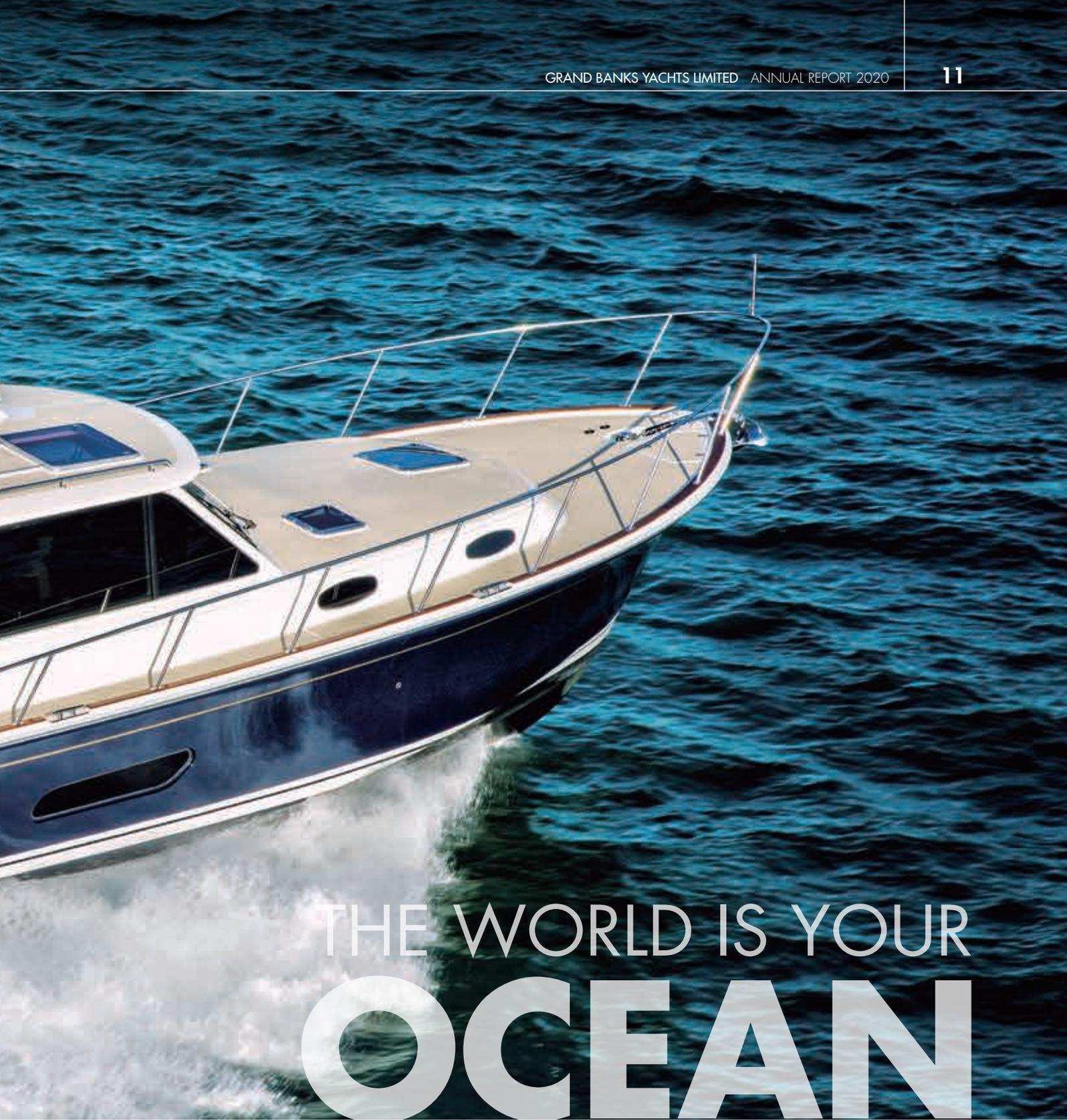
Mr. Weisman holds a Bachelor of Science in Social Science from the California State University at San Diego. Mr. Weisman was President of North Sails, now the world's leading sailmaking company and the largest division in the North Technology Group ("NTG"). Mr. Weisman became President in 1998 and retired 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. Their boat is currently cruising the coast of California.

EASTBAY 44





THE WORLD IS YOUR OCEAN



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 2018 (the "Code") and the extent of its compliance with the Code during the financial year ended 30 June 2020 ("FY2020").

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: *The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>1.1 Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.</p>	<p>Every Director, in the course of carrying out his duties, acts in good faith and considers at all times, the best interests of the Group.</p> <p>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. It sets the overall strategies of the Group as well as policies covering various matters with an emphasis on values, ethics, code of conduct, standards, internal controls, financial performance, reporting and risk management as well as environmental, social and governance issues.</p> <p>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.</p> <p>Every Director annually declares his independence/non-independence with regards his directorship with the Group. He also recuses himself from discussions and decisions where he faces conflict of interest.</p>

CORPORATE GOVERNANCE REPORT

1.2 Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.

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.

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.

Mr. Basil Chan is a member of SID's Audit Committee Chapter and helped organise and attended several of its programs.

The Directors may, at any time, visit the Group's production facilities and sales locations or attend dealer/sales 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 or professional advisors brief the Directors at the Board meetings.

CORPORATE GOVERNANCE REPORT

1.3 The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are 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, divestments, 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 of key executives;
- interested person transactions;
- the Group's overall internal controls and risk management;
- half year and full year financial results and announcements as well as quarterly business updates;
- 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").

CORPORATE GOVERNANCE REPORT

1.4 Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.

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.

More details of NC, RC and RMAC are mentioned in Guidelines 4, 6 and 9 respectively.

The SC was established 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.

CORPORATE GOVERNANCE REPORT

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.

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. The profiles of the directors are set out on pages 08 to 09 of this Annual Report.

1.5 Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

The Board held four meetings in FY2020. It also holds 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 FY2020 are set out in Table B. In addition, the Board held several virtual or 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.

All Directors have devoted sufficient time and attention to the affairs of the Group. All meetings are in either physical or virtual forms.

Dates of Board, Board Committees and Annual General Meetings are scheduled in advance in consultation with all of the Directors.

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

CORPORATE GOVERNANCE REPORT

1.6 Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.

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 of prior periods.

1.7 Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.

The directors have separate and independent access to the Management, Company Secretary and external advisers, where necessary at Company's expense.

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.

The appointment and the removal of the Company Secretary is subject to the Board's approval.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

Principle 2: *The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>2.1 An “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the best interests of the company.</p>	<p>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.</p>
<p>2.2 Independent directors make up a majority of the Board where the Chairman is not independent.</p>	<p>The Chairman of the Board of Directors is an Independent Director and not related to the Chief Executive Officer.</p>
<p>2.3 Non-executive directors make up a majority of the Board.</p>	<p>During the year, the Board comprises five members: three Independent Directors, one Non-Independent and Non-Executive Director and one Executive Director. Non-Executive Directors made up the majority of the Board.</p> <p>The Board is able to exercise objective judgement on corporate affairs independently, objectively and constructively as independent directors comprise majority of the Board. Furthermore, all Board Committees are chaired by and comprised primarily of independent and non-executive directors.</p>
<p>2.4 The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company’s annual report.</p>	<p>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.</p>

CORPORATE GOVERNANCE REPORT

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.

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.

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 08 and 09 of this Annual Report.

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 recognises the need for gender diversity and will consider favorably a female board member at the next board renewal exercise.

CORPORATE GOVERNANCE REPORT

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 this guideline of the Code.

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.

- | | |
|--|---|
| <p>2.5 Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.</p> | <p>During FY2020, the independent and non-executive directors met or had calls informally periodically throughout the year without the presence of executive director and Management.</p> |
|--|---|

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>3.1 The Chairman and the Chief Executive Officer (“CEO”) are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.</p>	<p>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.</p>
<p>3.2 The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.</p>	<p>The Company’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.</p>

CORPORATE GOVERNANCE REPORT

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.

3.3 The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

The Company is not required to appoint a lead independent director under the Code since the Group's Chairman and CEO are two separate and unrelated persons. The Chairman is an independent and non-executive director.

BOARD MEMBERSHIP

Principle: 4 *The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>4.1 The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:</p>	<p>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 substantial shareholders of the Company.</p> <p>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.</p> <p>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.</p> <p>The NC met once during FY2020.</p> <p>Please refer to Table A for the composition of the NC.</p>

CORPORATE GOVERNANCE REPORT

-
- | | |
|---|---|
| (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel; | In the coming year, the NC will deliberate succession plans for the Chairman and the CEO and key management personnel. |
| (b) the process and criteria for evaluation of the performance of the Board, its board committees and directors; | An annual evaluation of the performance of the Board and its Board committees is in place. Please refer to Guideline 5.1. |
| (c) the review of training and professional development programmes for the Board and its directors; and | The training and professional development programs for the Board are covered in Guideline 1.2. |
| (d) the appointment and re-appointment of directors (including alternate directors, if any). | 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. It 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. |

The Company does not have any alternate directors.

-
- | | |
|--|---|
| 4.2 The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC. | The NC 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 substantial shareholders of the Company. There is no lead director. |
|--|---|

-
- | | |
|---|---|
| 4.3 The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report. | 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

The NC reviews and recommends 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 his duties as director of the Company, in the case of director 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.

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 FY2020 are Mr. Basil Chan (independent director) and Mr. Gary James Weisman (independent director).

There are no relationships including immediate family relationships between Mr. Chan or Mr. Weisman and the other directors, the Company or its substantial shareholders.

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.

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

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

4.4 The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.

A director who has no relationship with the Group or its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interest of the Group, is considered to be independent.

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.

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 08 and 09 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 51 to 55 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 08 and 09 as well as Corporate Information of this Annual Report and in Table A.

There is no relationships including immediate family relationships among the directors, the Company, its related corporations, its substantial shareholders or its officers.

CORPORATE GOVERNANCE REPORT

4.5 The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.

All the non-executive Directors and the independent Directors of the Company are each issued an appointment letter by the Company which spells out the duties and responsibilities of the Directors. The duties and responsibilities of the Directors are mentioned in Guideline 1.1.

All directors declare their board memberships annually.

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.

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.

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 48 of this Annual 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 4.5 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.

CORPORATE GOVERNANCE REPORT

BOARD PERFORMANCE

Principle 5: *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>5.1 The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.</p>	<p>The NC assesses the effectiveness of the Board as a whole, and of each Board committee separately, as well as 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's and Board committee's performance and effectiveness as well as areas for improvement.</p> <p>The results of the NC's assessment for FY2020 are communicated to and accepted by the Board. The Board is satisfied that it has met its performance and effectiveness objectives for FY2020.</p> <p>The criteria the Board's performance is evaluated include meeting financial performance targets, enhancement of shareholder value and good corporate governance practices.</p>
<p>5.2 The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.</p>	<p>Each director assesses the effectiveness of the Board as a whole as well as its Board committees by providing feedback to the NC through a board evaluation questionnaire. 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.</p> <p>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.</p> <p>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.</p>

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>6.1 The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:</p> <p>(a) a framework of remuneration for the Board and key management personnel; and</p> <p>(b) the specific remuneration packages for each director as well as for the key management personnel.</p>	<p>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.</p> <p>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.</p> <p>The RC shall cover all aspects of compensation, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.</p> <p>The RC will also review the compensation of key management personnel.</p> <p>If necessary, the RC can seek expert advice inside and/or outside the Company on compensation of all directors and/or key management personnel.</p> <p>The RC met once during FY2020.</p> <p>Please refer to Table A for composition of the RC.</p> <p>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.</p> <p>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 selected senior executives.</p>

CORPORATE GOVERNANCE REPORT

6.2 The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent. The RC comprises three members: two independent directors (including the Chairman) and one non-independent and non-executive director.

6.3 The RC considers all aspects of remuneration, including termination terms, to ensure they are fair. 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 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.

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.

6.4 The company discloses the engagement of any remuneration consultants and their independence in the company's annual report. The Company's current remuneration consultant is Robinson Consulting Pte Ltd ("RCPL") which has an independent and objective relationship with the Group.

For FY2020, the Company did not engage RCPL for any matters.

CORPORATE GOVERNANCE REPORT

LEVEL AND MIX OF REMUNERATION

Principle 7: *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>7.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p>7.2 The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.</p>	<p>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.</p>

CORPORATE GOVERNANCE REPORT

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 2021 (FY2020: S\$252,500) on quarterly basis in arrears.

The Company has secured shareholders' approval to allow non-executive directors to participate in both the PSP and the ESOS.

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

Please see Table D for the detailed schedule of FY2020 directors' fees for independent and non-executive directors.

7.3 Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.

The RC continues to review and recommend appropriate changes to the Group's practices and disclosures as and when deemed feasible and appropriate for the Group.

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 selected senior executives.

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.

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON REMUNERATION

Principle 8: *The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>8.1 The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:</p> <p>(a) each individual director and the CEO; and</p> <p>(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.</p>	<p>The Board has included a separate remuneration report to shareholders in the Annual Report, the remuneration of directors and the top five management personnel (who are not Directors or the CEO).</p> <p>Please refer to Table D for the actual remuneration for the directors (including the CEO) for FY2020.</p> <p>Please refer to Table D for the top five management personnel (who are not directors or the CEO) are named, their remuneration disclosed in bands of S\$250,000 and the aggregated remuneration paid for FY2020.</p>
<p>8.2 The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.</p>	<p>None of the Company's employees whose remuneration exceeds S\$100,000 during the year are related to a director or the CEO.</p>
<p>8.3 The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.</p>	<p>Please refer to Note 26 of the Financial Statements and Table D.</p> <p>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.</p>

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>9.1 The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.</p>	<p>The RMAC has the responsibility of overseeing the Group's risk management framework and policies. The terms of reference for the RMAC are in with the Revised Guidelines for Audit Committees released by the Monetary Authority of Singapore in 2014.</p> <p>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 9.1 of the Code.</p> <p>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 Board also determines the extent of significant risks which the Group is willing to take. 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.</p> <p>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.</p>

CORPORATE GOVERNANCE REPORT

-
- 9.2 The Board requires and discloses in the company's annual report that it has received assurance from:
- (a) the CEO and the Chief Financial Officer ("CFO") 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) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.
- The Board receives assurance annually from the CEO, the CFO and key management personnel.
- 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 operations and finances.
- The Board has received assurance from the CEO and Management.
- 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. A Control Self-Assessment review is also conducted by the IA to assist the Board and Management to obtain assurance on the adequacy and effectiveness of the system of internal controls during the year.
- The IA is satisfied with reasonable assurance that the systems of internal controls in place were adequate and effective to achieve the internal control objectives, as well as address the financial, operational, information technology and compliance risk of the Group in FY2020.
- 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.
-

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Principle 10: *The Board has an Audit Committee ("AC") which discharges its duties objectively.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>10.1 The duties of the AC include:</p> <p>(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;</p>	<p>The RMAC comprises four members: three independent directors and one non-executive non-independent director and functions under the RMAC's terms of reference approved by the Board.</p> <p>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.</p> <p>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.</p> <p>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.</p>

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 2020. These significant matters were i) impairment of non-financial assets, including goodwill and other intangible assets, and ii) accounting for construction contracts. Please refer to pages 57 to 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 FY2018, FY2019 and FY2020, 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 2020, 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 FY2018, FY2019 and FY2020, 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 at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;

The RMAC evaluates the adequacy and effectiveness of the risk management systems and 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.

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.

- (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

The RMAC reviews quarterly the assurance from the CEO and the CFO that the financial records have been maintained properly and the financial statements give a true and fair view of the Group's operations and finances. The RMAC is satisfied with the assurance given.

CORPORATE GOVERNANCE REPORT

(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) 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, as well as the remuneration and terms of engagement of the external auditors.

(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and

The RMAC reviews the following: the scope of the independent auditors' audit plan; the cost-effectiveness of the independent audit; the independent auditors' reports 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.

The RMAC undertakes 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.

The breakdown of the fees paid in total to the external auditors for audit and non-audit services is shown on page 109 of this annual report.

The internal audit (IA) function is outsourced to an external firm, Virtus Assure Pte Ltd.

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

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.

CORPORATE GOVERNANCE REPORT

(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

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 FY2020.

The RMAC has reviewed the Code of Ethics and Business Principles and the whistle-blowing policy and is satisfied with their appropriateness.

10.2 The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.

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. The RMAC Chairman is an independent director.

The RMAC met four times during FY2020.

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.

10.3 The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have 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.

CORPORATE GOVERNANCE REPORT

- | | | |
|------|---|--|
| 10.4 | The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company. | 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.

The internal audit function is outsourced to an external firm, Virtus Assure Pte Ltd.

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.

The RMAC has reviewed and determined that the internal audit firm has met or exceeded its obligations under the terms of engagement. It 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. |
| 10.5 | The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually. | The RMAC meets with the internal auditors 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 arisen in the course of their audit. |

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: *The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

Guideline of the Code	Grand Banks Corporate Governance Practices
11.1 The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.	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.

CORPORATE GOVERNANCE REPORT

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 shareholders' attendance. Microphones are placed conveniently in the meeting room to encourage participation by shareholders. Polling is conducted electronically for confidentiality and convenience.

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

Due to the pandemic, the Company will be holding a virtual AGM for the first time on 28 October 2020. It will follow SGX-ST guidelines on holding of virtual AGM.

11.2 The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.

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

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.

11.3 All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.

The Chairmen of the Board, RMAC, NC, RC and SC are present at AGM and/or EGM to assist the directors in addressing all queries raised by shareholders at the general meetings.

For the last AGM in 2019, two overseas directors could not attend the meeting due to health and availability reasons.

The external auditors, KPMG LLP, and internal auditors, Virtus Assure Pte Ltd, are also invited to attend the AGM to address any shareholders' queries about the conduct of their audits.

CORPORATE GOVERNANCE REPORT

11.4 The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.

The Company's Constitution only allows for shareholders to vote in via mail, electronic mail or facsimile and does not allow voting in absentia. It does not place a limit on the number of proxies a shareholder can appoint.

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.

11.5 The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

The Company prepares minutes of general meetings and makes them available upon request by shareholders.

Presentations made at general meetings are published via SGXNET.

11.6 The company has a dividend policy and communicates it to shareholders.

Payment of dividends depends on the Group's earnings, financial position, results or operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate.

Except for FY2018, 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. In addition, the Group has taken the prudent step to conserve cash for working capital to ride out the pandemic. 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.

CORPORATE GOVERNANCE REPORT

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>12.1 The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.</p>	<p>Both Executive and Non-Executive Board members meet or speak with key shareholders regularly to gather their views and address their concerns.</p> <p>The Company has engaged 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.</p> <p>Shareholders are also encouraged to share their views and feedbacks with the Company via its investor relation firm.</p>
<p>12.2 The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.</p>	<p>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 and the Group must be publicly released via SGXNET (in the form of notices, press releases, circulars and annual reports) and be accessible to all shareholders simultaneously in an accurate, comprehensive and timely manner. The Company does not practise selective disclosure of material information.</p> <p>The Company has transitioned from reporting on a quarterly basis to reporting only half yearly and full year announcement of its financial results in accordance with the amended Rule 705(2) of the Mainboard Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual. The first such announcement was for the Half Yearly and Full Year Financial Statements for the Year Ended 30 June 2020. However, the Company will continue to provide quarterly updates of its performance and businesses within 45 days of the quarter-ends and update shareholders on material developments relating to the Group as and when appropriate in accordance with SGX-ST Listing Manual. Full year announcement of its final results will be provided within 60 days of the year-end.</p>

CORPORATE GOVERNANCE REPORT

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.

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.

The Group also maintains a comprehensive website accessible to the public which describes the Group's products and business among other items.

12.3 The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.

Shareholders are encouraged to liaise with the Directors or the officers of the Company as well as its investor relation firm with questions and concerns. The names and contact details of key officers and investor relation firm are set out in the Corporate Information section of its annual reports.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13: *The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

Guideline of the Code	Grand Banks Corporate Governance Practices
<p>13.1 The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.</p>	<p>Stakeholders are groups that are impacted by the Group's businesses and operations and who also similarly impact the Group's businesses and operations. These stakeholder groups have been identified through an assessment of their significance to the business operations. They are namely customers, employees, shareholders/investor fraternity, suppliers/contractors, industry/peers, government/regulators and community/media/NGOs.</p>

CORPORATE GOVERNANCE REPORT

The Group has regularly engaged its stakeholders through various medium and channels to ensure that its business interests are aligned with those of the stakeholders', to understand and address their concerns so as to improve the Groups' services and product standards, as well as to sustain business operations for long-term growth.

13.2 The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

The strategy and key areas of focus in management of stakeholder relationships are outlined in its Sustainability Report on pages 139 and 179 of the annual report.

The company has undertaken a process to determine the environmental, social and governance (ESG) issues which are important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

13.3 The company maintains a current corporate website to communicate and engage with stakeholders.

All material information on the performance and development of the Group is disclosed in a timely and comprehensive manner through SGXNET, press releases, the Company's website, <http://grandbanks.listedcompany.com>. The Company does not practice selective disclosure of material information. The websites, which are updated regularly, contains various information on the Group and serve as important resources for all stakeholders.

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

CORPORATE GOVERNANCE REPORT

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.

"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 FY2020 (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 FY2020 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 expired on 30 June 2020. The monthly rental amount of approximately S\$21,000, is based on independent valuation.	245	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 page 46. 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.1

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

CORPORATE GOVERNANCE REPORT

Table A.2

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 Memories Group Limited – Non-Executive Independent Director Broadway Industrial Group Limited – Non-Executive Independent Director Nera Telecommunication Ltd – Non-Executive Independent Director	MBE Corporate Advisory Pte Ltd	Global Invacom Group Limited – Non-Executive Independent Director Yoma Strategic Holdings Ltd – 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

Table B

Name of Directors	Board of Directors Meetings		RMAC Meetings		RC Meetings		NC Meetings		SC Meeting	
	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*
Heine Askaer-Jensen	4	3/4	4	3/4	1	1/1	1	1/1	0	0
Basil Chan	4	4/4	4	4/4	1	1/1	1	1/1	NA	NA
Gerard Lim Ewe Keng	4	4/4	4	4/4	1	1/1	1	1/1	NA	NA
Gary James Weisman	4	3/4	4	3/4	NA	NA	NA	NA	0	0
Mark Jonathon Richards	4	4/4	NA	NA	NA	NA	NA	NA	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, 4/4 means the director attended four meetings out of four meetings he could have attended i.e. 100% attendance.

CORPORATE GOVERNANCE REPORT

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 Members	Date of appointment	Date of last election
Basil Chan	14 November 2011	25 October 2018
Gary James Weisman	28 October 2015	26 October 2017

Table D.1

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 FY2020.

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\$750,001 to S\$1,000,000						
Mark Jonathon Richards	600,000	–	200,000	–	194,894	994,894
Below S\$250,000						
Heine Askaer-Jensen	–	–	–	76,000	–	76,000
Basil Chan	–	–	–	69,500	–	69,500
Gerard Lim Ewe Keng	–	–	–	53,000	–	53,000
Gary James Weisman	–	–	–	54,000	–	54,000

Directors' fees schedule for:	<u>FY2020</u>	<u>Proposed for FY2021</u>
Board members:	S\$35,000	S\$35,000
Chairman of the Board: additional	S\$13,000	S\$13,000
Member of the RMAC:	S\$9,000	S\$9,000
Chairman of the RMAC: additional	S\$11,000	S\$11,000
Member of other Committees:	S\$4,500	S\$4,500
Chairman of other Committees: additional	S\$5,500	S\$5,500

Note:

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

CORPORATE GOVERNANCE REPORT

Table D.2

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

Remuneration Band & Name of Key Management Personnel	Base/Fixed Salary⁽¹⁾	Share Plan	Bonus	Commission	Other Benefits⁽²⁾	Total
S\$500,001 to S\$750,000						
Samuel Henry Compton	69%	–	–	31%	–	100%
S\$250,000 to S\$500,000						
Ashwin Bhatt	99%	–	–	–	1%	100%
Chiam Heng Huat	87%	–	13%	–	–	100%
Allan James Bird	83%	–	–	–	17%	100%
Below S\$250,000						
Jason Martin Akers	99%	–	–	–	1%	100%

Total aggregate remuneration paid to the top five management personnel (who are not Directors or the CEO) for FY2020 was S\$1,699,239 (FY2019: S\$1,568,325).

Notes:

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

(2) 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 2020.

In our opinion:

- (a) the financial statements set out on pages 62 to 124 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 2020 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 (International); 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 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	701,500	200,000	–
Basil Chan*	301,500	301,500	–	–
Gerard Lim Ewe Keng*	12,000	212,000	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.

DIRECTORS' STATEMENT

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 2020.

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.

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 is 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.

DIRECTORS' STATEMENT

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

<u>Date of grant of options</u>	<u>Exercise price per share</u>	<u>Options outstanding at 1 July 2019</u>	<u>Options exercised</u>	<u>Options expired</u>	<u>Options outstanding at 30 June 2020</u>	<u>Options exercisable at 30 June 2020</u>	<u>Exercise period</u>
2/3/2015(A)	\$0.228	600,000	(400,000)	(200,000)	–	–	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	300,000	5/7/2019 to 4/7/2027
		<u>3,300,000</u>	<u>(400,000)</u>	<u>(200,000)</u>	<u>2,700,000</u>	<u>2,700,000</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.
- 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 2020.
- 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.

DIRECTORS' STATEMENT

- 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 option granted to directors of the Company under the Scheme are as follow:

Director	Exercise period	Option granted for financial year ended 30 June 2020	Aggregate options granted since commencement to 30 June 2020	Aggregate options exercised since commencement to 30 June 2020	Aggregate options forfeited/ expired since commencement to 30 June 2020	Aggregate options outstanding as at 30 June 2020
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.

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.

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)

DIRECTORS' STATEMENT

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 four 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

7 October 2020

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 2020, the consolidated 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 124.

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 Singapore Financial Reporting Standards (International) (SFRS(I)s) 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 2020 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 4 – Property, plant and equipment and Note 7 – Intangible assets

The key audit matter

The Group records goodwill of \$6.4 million which arose from the acquisition of Palm Beach Motor Yacht Co 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.

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.

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.

How the matter was addressed in our audit

Our procedures include the following:

- 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, including revenue growth rates and gross profit margins 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.

Findings:

The Group has a reasonable basis for the determination of CGU for impairment testing purpose.

The results of our evaluation of the Group's recoverable amount are consistent with management's assessment.

INDEPENDENT AUDITORS' REPORT

Accounting for construction contracts

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 20 – Revenue.

The key audit matter

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 using cost-to-cost method (i.e., actual cost installed or incurred over estimated total cost to complete each contract).

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:

- Budgeted total costs of delivering the entire contract; and
- Foreseeable losses, if any.

How the matter was addressed in our audit

Our procedures include the following:

- 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 actual cost installed or incurred.
- We assessed the reliability of management's estimation of the budgeted costs by comparing the final outcomes of the contracts completed during the year to previous estimates of costs of those contracts.
- For a sample of contract assets and liabilities, we assessed the appropriateness of percentage of completion determined and therefore the revenue, profit and contract assets or liabilities recognised, by:
 - Assessing the adequacy of 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 cost installed or incurred by validating to supporting documents;
 - Assessing the reasonableness of revenue 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, contract assets and liabilities.

INDEPENDENT AUDITORS' REPORT

Findings:

The result of our evaluation of the Group's revenue recognition is consistent with management's assessment.

We found the disclosures to be compliant with SFRS(I) 15 *Revenue from Contracts with Customers*.

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, 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 SFRS(I)s, 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.

INDEPENDENT AUDITORS' REPORT

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.
- 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.

INDEPENDENT AUDITORS' REPORT

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

7 October 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current assets					
Property, plant and equipment	4	25,065	32,163	-	-
Right-of-use assets	5	6,726	-	-	-
Subsidiaries	6	-	-	38,016	38,016
Intangible assets	7	7,723	7,763	-	-
Deferred tax assets	8	4,225	4,998	-	-
		43,739	44,924	38,016	38,016
Current assets					
Inventories	9	21,341	28,121	-	-
Contract assets	20	11,596	10,533	-	-
Trade and other receivables	10	990	496	6,875	7,843
Prepayments	11	775	866	17	102
Current tax recoverable		-	124	-	-
Cash and cash equivalents	12	10,717	8,552	209	22
		45,419	48,692	7,101	7,967
Total assets		89,158	93,616	45,117	45,983
Current liabilities					
Trade and other payables	13	9,705	10,044	519	374
Contract liabilities	20	10,731	9,568	-	-
Provisions	14	4,310	2,469	-	-
Interest bearing loans and borrowings	15	1,845	8,399	-	-
Deferred consideration	16	514	480	-	-
Current tax payables		6	-	-	-
Lease liabilities	25	192	-	-	-
		27,303	30,960	519	374
Non-current liabilities					
Deferred tax liabilities	8	375	422	-	-
Interest bearing loans and borrowings	15	2,700	5,005	-	-
Deferred consideration	16	1,674	2,126	-	-
Lease liabilities	25	76	-	-	-
		4,825	7,553	-	-
Total liabilities		32,128	38,513	519	374
Capital and reserves					
Share capital	17	43,136	43,045	43,136	43,045
Share-based compensation reserve	18	381	381	381	381
Foreign currency translation reserve	19	308	(473)	-	-
Accumulated profits		13,205	12,150	1,081	2,183
Total equity		57,030	55,103	44,598	45,609
Total equity and liabilities		89,158	93,616	45,117	45,983

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
Revenue	20	103,234	79,568
Cost of sales		<u>(84,350)</u>	<u>(62,635)</u>
Gross profit		18,884	16,933
Selling and marketing expenses		(8,588)	(8,909)
Administrative expenses		(5,487)	(4,718)
Other operating expenses, net		(2,615)	(778)
Total operating expenses		(16,690)	(14,405)
Profit from operations		2,194	2,528
Other non-operating expenses, net	21	(579)	(678)
Finance cost		(751)	(627)
Profit before tax	21	864	1,223
Tax credit	22	191	277
Profit for the year attributable to owners of the Company		1,055	1,500
		2020	2019
		Cents	Cents
Earnings per share			
– Basic	24	0.57	0.81
– Diluted	24	0.57	0.81

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2020

	2020 \$'000	2019 \$'000
Profit for the year	<u>1,055</u>	<u>1,500</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation differences relating to financial statements of foreign subsidiaries	<u>781</u>	<u>(1,815)</u>
Other comprehensive income for the year, net of income tax	<u>781</u>	<u>(1,815)</u>
Total comprehensive income for the year attributable to owners of the Company	<u><u>1,836</u></u>	<u><u>(315)</u></u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2020

Note	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
Group					
At 1 July 2019	43,045	381	(473)	12,150	55,103
Total comprehensive income for the year					
Profit for the year	–	–	–	1,055	1,055
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	781	–	781
Total other comprehensive income	–	–	781	–	781
Total comprehensive income for the year	–	–	781	1,055	1,836
Transactions with owners, recorded directly in equity					
Issue of shares pursuant to share plans	91	–	–	–	91
Total transactions with owners	91	–	–	–	91
At 30 June 2020	43,136	381	308	13,205	57,030

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2020

	Note	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
Group						
At 1 July 2018		43,045	370	1,342	11,570	56,327
Total comprehensive income for the year						
Profit for the year		-	-	-	1,500	1,500
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries		-	-	(1,815)	-	(1,815)
Total other comprehensive income		-	-	(1,815)	-	(1,815)
Total comprehensive income for the year						
		-	-	(1,815)	1,500	(315)
Transactions with owners, recorded directly in equity						
Share-based payments	23	-	11	-	-	11
Dividend payments		-	-	-	(920)	(920)
Total transactions with owners						
		-	11	-	(920)	(909)
At 30 June 2019		43,045	381	(473)	12,150	55,103

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2020

	Note	Group	
		2020 \$'000	2019 \$'000
Cash flows from operating activities			
Profit after tax		1,055	1,500
Adjustments for:			
Depreciation of property, plant and equipment	4	4,338	3,642
Depreciation of right-of-use assets	5	627	–
Amortisation of intangible assets	7	120	126
Property, plant and equipment written off	4	–	213
Loss on disposal of property, plant and equipment		3	11
Net allowance made for inventories obsolescence		725	321
Interest income	21	(20)	(23)
Interest expense		751	627
Provisions	14	4,793	3,488
Equity-settled share-based compensation		–	11
Tax credit	22	(191)	(277)
Unrealised foreign exchange loss/(gain)		1,194	(364)
		13,395	9,275
Changes in working capital:			
Decrease/(increase) in inventories		6,530	(5,336)
Decrease in trade and other receivables		4	4,940
Decrease in prepayments		92	383
Increase in contract assets		(730)	(9,197)
Increase in contract liabilities		1,351	3,013
Increase/(decrease) in trade and other payables		398	(1,445)
Cash generated from operations		21,040	1,633
Net income taxes refund/(paid)		41	(195)
Provisions expended	14	(2,956)	(3,007)
Net cash from/(used in) operating activities		18,125	(1,569)
Cash flows from investing activities			
Interest received		20	23
Proceeds from disposal of property, plant and equipment		8	–
Purchase of property, plant and equipment		(3,833)	(7,684)
Net cash used in investing activities		(3,805)	(7,661)
Cash flows from financing activities			
Dividend paid to owners of the Group		–	(920)
Interest paid on loans and borrowings		(723)	(573)
Interest paid on right-of-use assets		(28)	–
Proceeds from issue of shares pursuant to share plans		91	–
Repayment of lease liabilities		(339)	–
Repayment of bank borrowings		(15,651)	(3,376)
Repayment of deferred consideration		(494)	(460)
Proceeds from bank borrowings		4,989	14,484
Net cash (used in)/from financing activities		(12,155)	9,155
Net increase/(decrease) in cash and cash equivalents		2,165	(75)
Cash and cash equivalents at beginning of year		8,425	8,305
Effect of exchange rate changes on balances held in foreign currency		127	195
Cash and cash equivalents at end of year	12	10,717	8,425

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 October 2020.

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 2020 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 (International) (SFRS(I)).

This is the first set of the Group's annual financial statements in which SFRS(I) 16 Leases has been applied. The related changes to significant accounting policies are described in Note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

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 Group 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 SFRS(I) 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 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Information about significant areas of critical judgements and estimation uncertainties 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 in assessing the value-in-use to determine the recoverable amount.

b. Revenue recognition

Contract revenue is 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 cost 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Critical judgement (Continued)

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.

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 2.4(e) and 7).

Key sources of estimation uncertainties

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 4. 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Key sources of estimation uncertainties (Continued)

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 14.

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 stage of completion is determined using cost-to-cost method by reference to the actual cost installed or incurred to date over the estimated total cost to complete for each contract. Significant estimates are required in determining the appropriate stage of completion by estimating the budgeted total cost to complete. Revenue from construction contract is disclosed in Note 20.

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 and subsidiaries review 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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 27.

2.5 Changes in significant accounting policies

New standards and amendments

The Group has applied SFRS(I) 16 Leases for the first time for the annual period beginning on 1 July 2019.

SFRS(I) 16 Leases

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in significant accounting policies (Continued)

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

As a lessee, the Group leases many assets including office and factory, leasehold building and land. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for certain office lease, the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in significant accounting policies (Continued)

As a lessee (Continued)

Leases classified as finance leases under SFRS(I) 1-17

The Group leases land which was classified as finance lease under SFRS(I) 1-17. For this finance lease, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

Impact on financial statements

Impact on transition¹

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets, with no impact to retained earnings. The impact on transition is summarised below.

	1 July 2019 \$'000
Right-of-use assets ²	289
Lease liabilities	(289)

- 1 For the impact of SFRS(I) 16 on profit or loss for the period, see Note 25. For the impact of SFRS(I) 16 on segment information, see Note 28. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 3.6.
- 2 Upon transition to SFRS(I) 16 on 1 July 2019, finance lease under SFRS(I) 1-17 relating to leasehold building and land of net book value of \$6,664,000 was reclassified to 'Right-of-use assets', see Note 4 and 5.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates at 1 July 2019. The rates ranged from 4.20% to 7.92%, depending on the contractual period of the lease.

	1 July 2019 \$S'000
Operating lease commitments at 30 June 2019 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements	432
Discounted using the incremental borrowing rate at 1 July 2019	402
Recognition exemption for leases with less than 12 months of lease term at transition	(113)
Lease liabilities recognised at 1 July 2019	289

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 2.5 which addresses 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 that meets the definition of financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured 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 investments, 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 them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and 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 2020

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 reporting period are translated 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 translated 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 translation 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). Since 1 July 2017, the Group's date of transition to SFRS(I), such differences have been recognised 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 foreign currency translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 freehold land	–	10 to 27 years
Buildings on leasehold land	–	Shorter of remaining lease period or 28 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. No depreciation is provided on freehold land or in respect of assets under construction.

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 the end of each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), directly attributable transaction costs to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) *Classification and subsequent measurement*

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The Group makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) *Classification and subsequent measurement* (Continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contingent events, leverage features, modifications of the time value of money and other limiting terms in the contractual terms of the instrument, which change the timing or amount of contractual cash flows such that the cash flows of the instrument would not be reflective of solely payments of principal and interest.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities

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

Such financial liabilities are recognised initially at fair value less 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 comprised trade and other payables, interest bearing loans and borrowings and lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(iii) *Derecognition*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risk and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) *Offsetting*

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

(v) *Cash and cash equivalents*

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.

(vi) *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 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of office and factory, leasehold building and land the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments and lease payment in an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Leases (Continued)

As a lessee (Continued)

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases – Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leasehold land that transferred substantially all of the risks and rewards of ownership as finance lease. When this was the case, the leasehold land was measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payment. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment

- (i) Non-derivative financial assets and contract assets

Policy under SFRS(I) 9

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised costs and contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

- (i) Non-derivative financial assets and contract assets (Continued)

General approach (Continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding beyond management's expected range of past due days taking into consideration past payment trends, macroeconomic and industry conditions.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to the credit risk.

Measurement of expected credit losses (ECLs)

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default (as defined above);
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probably that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for expected credit losses (ECLs) in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment (Continued)

- (i) Non-derivative financial assets and contract assets (Continued)

General approach (Continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

- (ii) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average costing 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.

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 contractual warranty obligation is for 1 year from date of delivery to customer. 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.

Provision for restoration

A provision for restoration of offices under lease agreement is recognised as the Group has obligation to restore the offices back to its original condition as per the lease agreement. See Note 3.6.

Provision for restructuring

Provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

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 2020

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 payment 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

Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price for the PO.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 OCI.

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.

Current tax assets and liabilities are offset only if certain criteria are met.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Tax (Continued)

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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 Interest income

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

3.14 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.

3.15 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grants. Grants that compensate the Group for expenses incurred are recognised in the income statement as 'Other non-operating income' on a systematic basis in the same periods in which the expenses are recognised. 'Other non-operating income' is presented net of 'Other non-operating expenses' on the income statement.

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.

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 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

4 PROPERTY, PLANT AND EQUIPMENT

Group Cost	Buildings on freehold land		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	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2018	1,544	2,784	2,784	12,376	8,424	6,366	7,017	30,282	255	2,708	71,756
Additions	-	-	-	1,005	-	685	795	-	86	5,113	7,684
Disposals	-	-	-	-	-	-	-	-	(71)	-	(71)
Reclass	-	-	-	-	-	-	251	3,824	-	(4,075)	-
Write-off	-	-	-	-	-	(2,545)	(3,785)	(3,925)	-	(204)	(10,459)
Translation adjustment	-	(23)	(23)	(425)	(280)	(207)	(217)	(1,577)	(8)	(99)	(2,836)
At 30 June 2019	1,544	2,761	2,761	12,956	8,144	4,299	4,061	28,604	262	3,443	66,074
At 1 July 2019	1,544	2,761	2,761	12,956	8,144	4,299	4,061	28,604	262	3,443	66,074
Reclass to right-of- use assets	-	-	-	(828)	(8,144)	-	-	-	-	-	(8,972)
Adjusted balance at 1 July 2019	1,544	2,761	2,761	12,128	-	4,299	4,061	28,604	262	3,443	57,102
Additions	316	-	-	21	-	78	268	-	37	3,113	3,833
Disposals	-	-	-	-	-	(1)	-	-	(27)	-	(28)
Reclass	9	-	-	-	-	-	112	4,622	-	(4,743)	-
Translation adjustment	72	83	83	(47)	-	3	13	(109)	1	2	18
At 30 June 2020	1,941	2,844	2,844	12,102	-	4,379	4,454	33,117	273	1,815	60,925

* Charged against bank borrowings see Note 15.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	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	\$'000	\$'000	\$'000							
Accumulated depreciation and impairment losses												
At 1 July 2018		14	-	6,219	1,861	4,362	4,653	24,523	167	-	-	41,799
Charge for the year	21	46	-	190	181	332	766	2,090	37	-	-	3,642
Disposal		-	-	-	-	-	-	-	(60)	-	-	(60)
Write-off		-	-	-	-	(2,545)	(3,776)	(3,925)	-	-	-	(10,246)
Translation adjustment		-	-	(209)	(64)	(136)	(154)	(655)	(6)	-	-	(1,224)
At 30 June 2019		60	-	6,200	1,978	2,013	1,489	22,033	138	-	-	33,911
At 1 July 2019		60	-	6,200	1,978	2,013	1,489	22,033	138	-	-	33,911
Reclass to right-of-use assets		-	-	(330)	(1,978)	-	-	-	-	-	-	(2,308)
Adjusted balance at 1 July 2019		60	-	5,870	-	2,013	1,489	22,033	138	-	-	31,603
Charge for the year	21	89	-	180	-	331	892	2,811	35	-	-	4,338
Disposal		-	-	-	-	-	-	-	(17)	-	-	(17)
Translation adjustment		15	-	(25)	-	2	9	(65)	-	-	-	(64)
At 30 June 2020		164	-	6,025	-	2,346	2,390	24,779	156	-	-	35,860
Carrying amounts												
At 1 July 2018		1,530	2,784	6,157	6,563	2,004	2,364	5,759	88	2,708	-	29,957
At 30 June 2019		1,484	2,761	6,756	6,166	2,286	2,572	6,571	124	3,443	-	32,163
At 30 June 2020		1,777	2,844	6,077	-	2,033	2,064	8,338	117	1,815	-	25,065

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction

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

5 RIGHT-OF-USE ASSETS

	Note	Office and factory Lease \$'000	Buildings on leasehold land \$'000	Leasehold land* \$'000	Total \$'000
Group					
Cost					
At 1 July 2019		–	–	–	–
Recognition of right-of-use assets on initial application of FRS 116		289	–	–	289
Reclassification from property, plant and equipment		–	498	6,166	6,664
Adjusted balance at 1 July 2019		289	498	6,166	6,953
Additions		426	–	–	426
Translation adjustment		11	(1)	(27)	(17)
At 30 June 2020		726	497	6,139	7,362
Accumulated depreciation					
At 1 July 2019		–	–	–	–
Depreciation charge for the year	21	429	17	181	627
Translation adjustment		11	–	(2)	9
At 30 June 2020		440	17	179	636
Carrying amounts					
At 1 July 2019		289	498	6,166	6,953
At 30 June 2020		286	480	5,960	6,726

* Charged against bank borrowings see Note 15.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

6 SUBSIDIARIES

	Company	
	2020 \$'000	2019 \$'000
Unquoted ordinary shares, at cost	21,726	21,726
Unquoted preference shares, at cost	15,222	15,222
Equity investments at cost	36,948	36,948
Amounts due from a subsidiary (non-current)	1,068	1,068
Total	38,016	38,016

The non-current amounts due from a subsidiary of \$1,068,000 (2019: \$1,068,000) are unsecured and the settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, part of the Company's net investment in the subsidiary, they are stated at cost.

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	
			2020 %	2019 %
+ 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	The subsidiary carries out the Group's sales and marketing activities in the Australia. It also sells new and previously-owned yachts.	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 2020

7 INTANGIBLE ASSETS

		Goodwill \$'000	Club memberships \$'000	Trade marks \$'000	Order backlog \$'000	Total \$'000
Group						
Cost						
		6,757	68	2,367	463	9,655
		(396)	–	(125)	(3)	(524)
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>	<u>68</u>	<u>2,242</u>	<u>460</u>	<u>9,131</u>
		<u>6,361</u>				

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

7 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for cash-generating units containing goodwill

Goodwill arose from the acquisition of Palm Beach Motor Yacht Co Pty Ltd. For the purpose of impairment testing, goodwill of \$6,430,000 (2019: \$6,361,000) 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 five-year (2019: five-year) financial budget approved by management. Cash flows beyond the five-year period (2019: five-year period) are extrapolated at zero terminal value growth rate.

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	
	2020 %	2019 %
Compounded annual revenue growth rate	4.0	3.4
Terminal value growth rate	0.0	0.0
Discount rate (pre-tax)	13.0	12.4

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Group				
Property, plant and equipment	–	–	375	422
Provisions and accruals	(2,076)	(1,890)	–	–
Tax losses and capital allowance	(2,149)	(3,108)	–	–
Deferred tax (assets)/liabilities	(4,225)	(4,998)	375	422

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

8 DEFERRED TAX (ASSETS) AND LIABILITIES (CONTINUED)

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

	At 1 July 2018 \$'000	Recognised in profit or loss (Note 22) \$'000	Translation adjustment \$'000	At 1 July 2019 \$'000	Recognised in profit or loss (Note 22) \$'000	Translation adjustment \$'000	At 30 June 2020 \$'000
Group							
Deferred tax (assets)/ liabilities							
Property, plant and equipment and intangible assets	669	(211)	(36)	422	(52)	5	375
Provisions	(497)	(1,492)	99	(1,890)	(205)	19	(2,076)
Tax losses and capital allowance	<u>(4,466)</u>	<u>1,349</u>	<u>9</u>	<u>(3,108)</u>	<u>973</u>	<u>(14)</u>	<u>(2,149)</u>
Net deferred tax (assets)/ liabilities	<u>(4,294)</u>	<u>(354)</u>	<u>72</u>	<u>(4,576)</u>	<u>716</u>	<u>10</u>	<u>(3,850)</u>

Unrecognised deferred tax assets

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

	Group	
	2020 \$'000	2019 \$'000
Unutilised tax losses	<u>2,429</u>	<u>3,642</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

9 INVENTORIES

	Group	
	2020 \$'000	2019 \$'000
Raw materials and components	10,356	10,084
Allowance for inventory obsolescence	(2,659)	(2,224)
	7,697	7,860
Stock boats at net realisable value	8,785	13,684
Work-in-progress stock boats	4,859	6,577
Total	21,341	28,121

In 2020, changes in raw materials and components, stock boats and work-in-progress included in cost of sales amounted to \$79,560,341 (2019: \$57,989,366).

As at 30 June 2020, no stock boat (2019: \$6,406,000) was held by a bank as security interest for inventory financing loan as disclosed in Note 15.

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.

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables	792	294	-	-
Refundable deposits	131	137	-	-
Other receivables	67	65	-	-
Dividend receivables	-	-	-	3,807
Amounts due from subsidiaries (non-trade)	-	-	6,875	4,036
	990	496	6,875	7,843

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 27.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

11 PREPAYMENTS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Payments in advance for purchases of raw materials and components	389	384	-	-
Prepaid operating expenses	386	482	17	102
	775	866	17	102

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash and bank balances	3,334	2,876	209	22
Short-term deposits	7,383	5,676	-	-
Cash and cash equivalents in the statements of financial position	10,717	8,552	209	22
Deposits pledged	-	(127)	-	-
Cash and cash equivalents in the statement of cash flows	10,717	8,425	209	22

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 (2019: 5 to 365 days) and earn interest at rates generally higher than those earned by cash and bank balances.

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade payables	2,427	4,842	-	-
Advance from customers	1,071	-	-	-
Accrued operating expenses	6,207	5,202	519	374
	9,705	10,044	519	374

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

14 PROVISIONS

	Warranties \$'000	Restoration \$'000	Restructuring \$'000	Total \$'000
Balance at 1 July 2019	2,469	–	–	2,469
Changes during the year				
Provisions made during the year (Note 21)	3,188	94	1,511	4,793
Claims expended during the year	(2,338)	–	(618)	(2,956)
Translation adjustment	(15)	2	17	4
Balance at 30 June 2020	<u>3,304</u>	<u>96</u>	<u>910</u>	<u>4,310</u>
Balance at 1 July 2018	2,070	–	–	2,070
Changes during the year				
Provisions made during the year (Note 21)	3,488	–	–	3,488
Claims expended during the year	(3,007)	–	–	(3,007)
Translation adjustment	(82)	–	–	(82)
Balance at 30 June 2019	<u>2,469</u>	<u>–</u>	<u>–</u>	<u>2,469</u>

Warranties

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 these liabilities over the next 12 months.

Restoration

The provision for restoration cost is to cover the estimated liabilities for restoration of offices in relation to leases under its subsidiaries, GB Yachts Pte. Ltd. and Palm Beach Motor Yacht Co Pty Ltd. The Group expects to incur these liabilities at the end of the lease term over the next 12 months.

Restructuring

In 2020, the Group committed to a plan to restructure one of its manufacturing site in Australia to Malaysia. The provision for restructuring mainly includes restructuring pay-outs to employees in Palm Beach Motor Yacht Co Pty Ltd. The Group expects to incur these costs when the manufacturing site in Australia shuts down by December 2020.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

15 INTEREST BEARING LOANS AND BORROWINGS

	Group	
	2020 \$'000	2019 \$'000
Secured bank loan	4,545	4,908
Inventory financing	–	8,496
	4,545	13,404
Represented by:		
– Current	1,845	8,399
– Non-current	2,700	5,005
Total	4,545	13,404

As at 30 June 2020, a subsidiary of the Group has secured bank loan of \$4,545,000 (2019: \$4,908,000). 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 \$5,960,000 (2019: \$6,616,000) (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 4.2% to 5.2% (2019: 5.32% to 5.45%) per annum and are repayable between year 2020 to 2023 (2019: 2019 to 2023). Interest rates are repriced within the year.

In 2019, the inventory financing loan was obtained by a subsidiary for the purpose of purchasing stock boats. The inventory financing loan is secured over the respective stock boats with carrying amount of S\$6,406,000 and bears an interest rate of 6.5%. The inventory financing loan was repaid in full during the year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

15 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

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

	Liabilities			Total \$'000
	Interest bearing loans and borrowings \$'000	Deferred consideration (Note 16) \$'000	Lease liabilities (Note 25) *Restated \$'000	
Balance at 1 July 2019	13,404	2,606	289	16,299
Changes from financing cash flows				
Repayment of term loans	(15,651)	(494)	–	(16,145)
Payment of lease liabilities	–	–	(339)	(339)
Proceed from borrowings	4,989	–	–	4,989
Interest paid	(623)	(100)	(28)	(751)
Total changes from financing cash flows	(11,285)	(594)	(367)	(12,246)
The effect of changes in foreign exchange rates	1,803	76	8	1,887
Other changes				
New leases	–	–	310	310
Interest expense	623	100	28	751
Total liability-related other changes	623	100	338	1,061
Balance at 30 June 2020	4,545	2,188	268	7,001
Balance at 1 July 2018	2,470	3,093	–	5,563
Changes from financing cash flows				
Repayments of term loans	(3,376)	(460)	–	(3,836)
Proceed from borrowings	14,484	–	–	14,484
Interest paid	(457)	(116)	–	(573)
Total changes from financing cash flows	10,651	(576)	–	10,075
The effect of changes in foreign exchange rates	(228)	(27)	–	(255)
Other changes				
Liability-related				
Interest expense	511	116	–	627
Total liability-related other changes	511	116	–	627
Balance at 30 June 2019	13,404	2,606	–	16,010

* See Note 2.5

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

16 DEFERRED CONSIDERATION

	Group	
	2020 \$'000	2019 \$'000
Secured promissory note		
– Current	514	480
– Non-current	1,674	2,126
	2,188	2,606

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.

17 SHARE CAPITAL

	2020		2019	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Fully paid:				
Beginning of the year	184,235	43,045	184,235	43,045
Issue of shares pursuant to share plans	400	91	–	–
End of the year	184,635	43,136	184,235	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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

18 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.

19 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.

20 REVENUE

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Revenue from construction contracts

Nature of goods or services	The Group manufactures and sell luxury yachts worldwide.
When revenue is recognised	Revenue is recognised with reference to the stage of completion of the contract activity at the reporting date. The stage of completion is determined using cost-to-cost method (i.e., actual cost installed or incurred over estimated total cost to complete each contract).
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the construction services rendered exceeds payments received from the customer, a contract asset is recognised. Conversely, a contract liability is recognised when payments received from the customer exceeds the value of the construction services rendered. Payment is due within 7 days from date of progress billings.
Obligations for warranties	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 delivery. The contractual warranty obligation is for 1 year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

20 REVENUE (CONTINUED)

Revenue from boat brokerage

Nature of goods or services	The Group generates brokerage revenue through facilitating the sale of boats between interested buyers and sellers. The Group earns commission income from the brokerage deals.
When revenue is recognised	Revenue is recognised when the brokerage deal is completed.
Significant payment terms	Invoice is issued when brokerage boat is delivered to the end customer. Payment is due within 7 days from date of invoice.

Revenue of services

Nature of goods or services	The Group provides boat servicing to its customers. Services are sold separate from the construction contracts and the Group accounts for the services separately.
When revenue is recognised	Revenue is recognised when services rendered to boats are completed.
Significant payment terms	Invoice is issued when services have been performed. Payment is due within 7 days from date of invoice.

Sale of stock boats, trade-in boats and parts

Nature of goods or services	The Group generates revenue from the sale of stock boats, trade-in boats and other spare parts of boats.
When revenue is recognised	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 derived at after deduction of trade discounts.
Significant payment terms	Invoice is issued when parts are delivered to the customer. For stock and trade-in boats, it is payment before delivery. Parts payment is due within 7 days from date of invoice.
Obligations for warranties	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 delivery for stock boats manufactured by the Group. The contractual warranty obligation is for 1 year. There is no warranty applicable for sale of parts or stock boats that are not manufactured by the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

20 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

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

	Group	
	2020 \$'000	2019 \$'000
Revenue from construction contracts	65,278	54,719
Revenue from boat brokerage	1,674	1,722
Rendering of services	1,748	1,596
Sales of stock boats	22,958	13,919
Sales of trade-in boats	11,132	7,070
Sales of parts	444	542
	103,234	79,568
Timing of revenue recognition		
Transferred at a point in time	37,956	24,849
Transferred over time	65,278	54,719
	103,234	79,568

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020 \$'000	2019 \$'000
Trade receivables	792	294
Contract assets	11,596	10,533
Contract liabilities	(10,731)	(9,568)

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. The contract liabilities primarily relate to advance consideration received from customers for which the performance obligations have not been satisfied.

These assets and liabilities are reported on the balance sheet on a contract by contract basis at the end of each reporting period. If the value of services rendered exceeds payment received from the customer, a contract asset is recognised and presented separately on the balance sheet. The contract asset is transferred to trade receivables when the entitlement to payment becomes unconditional. If the amounts invoiced to the customer or advance payments received exceeds the value of services rendered, a contract liability is recognised and separately presented on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

20 REVENUE (CONTINUED)

Contract balances (Continued)

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract assets		Contract liabilities	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue recognised in relation to contract liabilities				
Revenue recognised that was included in the contract liability balance at the beginning of the year	14,759	–	25,268	23,341
Changes in measurement of progress	25,140	22,813	–	–
Reversal of revenue recognised	–	(2,359)	–	–

The Company applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Company has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

21 PROFIT BEFORE TAX

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

	Note	Group	
		2020 \$'000	2019 \$'000
Wages, salaries and other employee benefits		28,768	28,763
Contributions to defined contribution plans, included in wages and salaries related costs		1,619	1,467
Equity-settled share-based compensation, included in wages and salaries related costs		–	11
Restructuring costs*		1,511	–
Net allowance made for inventories obsolescence		725	321
Property, plant and equipment written off		–	213
Depreciation of property, plant and equipment	4	4,338	3,642
Depreciation of right-to-use assets	5	627	–
Amortisation of intangible assets	7	120	126
Loss/(gain) on disposal of property, plant and equipment		2	(4)
Provision for warranty claims	14	3,188	3,488
Auditors' remuneration			
– auditors of the Company		223	260
– overseas affiliates of KPMG LLP		118	112
Non-audit fees paid to:			
– auditors of the Company		101	19
Operating lease expenses		–	522
Short-term lease		277	–
Other non-operating (expense)/income, net			
Foreign exchange loss, net		(799)	(818)
Interest income from bank		20	23
Rental income		–	26
Sundry income		57	45
Government grants		125	–
Others		18	46
		(579)	(678)

* In FY2020, the restructuring cost was included in other operating expenses in the consolidated income statement.

Included in profit before tax was cost amounting to \$1,946,000 related to the temporary closure of the Group's Malaysia factory due to the Movement Control Order required by the Government. The cost comprised mainly employee benefits and depreciation among other costs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

22 TAX CREDIT

	Group	
	2020 \$'000	2019 \$'000
Current tax		
Current year	(896)	171
Over provision in prior years	(11)	(94)
	<u>(907)</u>	<u>77</u>
Deferred tax		
Origination and reversal of temporary differences	716	(303)
Recognition of tax effect of previously unrecognised tax losses and capital allowance	-	(51)
	<u>716</u>	<u>(354)</u>
Tax credit	<u>(191)</u>	<u>(277)</u>
Reconciliation of effective tax rate		
Profit before tax	<u>864</u>	<u>1,223</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	189	91
Adjustments:		
Non-deductible expenses	352	464
Deferred tax assets not recognised	(550)	-
Utilisation of deferred tax assets previously not recognised	-	(535)
Recognition of previously unrecognised capital allowance and tax losses	-	(51)
Recognition of previously unrecognised temporary differences	(280)	(213)
Overprovision in prior years	(11)	(94)
Withholding tax	114	79
Others	(5)	(18)
	<u>(191)</u>	<u>(277)</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

23 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. 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 follow:

Date of grant of options	Exercise price per share	Options outstanding at 1 July 2019	Options exercised	Options expired	Options outstanding at 30 June 2020	Options exercisable at 30 June 2020	Exercise period
2020							
2/3/2015	\$0.228	600,000	(400,000)	(200,000)	–	–	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	300,000	5/7/2019 to 4/7/2027
		<u>3,300,000</u>	<u>(400,000)</u>	<u>(200,000)</u>	<u>2,700,000</u>	<u>2,700,000</u>	
2019							
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
		<u>3,300,000</u>	<u>–</u>	<u>–</u>	<u>3,300,000</u>	<u>3,000,000</u>	

400,000 share options under ESOS plan were exercised in financial year 2020 at \$0.228 per share.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

23 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		
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	\$0.280	\$0.230	\$0.230
Exercise price	\$0.280	\$0.228	\$0.228
Expected volatility	46%	56%	56%
Option life (expected exercise period)	2.90 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 \$Nil (2019: \$11,000) to the profit or loss based on the fair value of the share options at the grant date being expensed over the vesting period.

24 EARNINGS PER SHARE

	Group	
	2020	2019
Basic earnings per share		
Basic earnings per share is based on:		
Profit for the year (\$'000)	1,055	1,500
Number of shares outstanding at beginning of the year ('000)	184,235	184,235
Effect of shares issued during the year pursuant to share plans ('000)	400	-
Weighted average number of ordinary shares at the end of the year ('000)	184,635	184,235
Diluted earnings per share		
Diluted earnings per share is based on:		
Profit for the year (\$'000)	1,055	1,500
Number of shares outstanding at beginning of the year ('000)	184,235	184,235
Effect of shares issued during the year ('000)	400	-
Weighted average number of unissued ordinary shares from share options ('000)	2,700	3,300
Weighted average number of ordinary shares that would have been issued at average market price under the share options plan ('000)	(2,666)	(2,637)
Weighted average number of ordinary shares at the end of the year ('000)	184,669	184,898

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

25 LEASES

	2020
	\$'000
Current	192
Non-current	76
	268

Leases as lessee (SFRS(I) 16)

The appropriate discount rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 4.20% and 7.29% respectively. The Group leases land and office space. The leases for office space typically run for three to four years.

Right-of-use assets

Right-of-use assets related to land and office space are presented separately (see Note 5).

Amounts recognised in profit or loss

	2020
	\$'000
2020 – Leases under SFRS(I) 16	
Interest on lease liabilities	28
2019 – Operating leases under SFRS(I) 1-17	
Operating lease expenses	432

Amounts recognised in statement of cash flows relating to lease liabilities

	2020
	\$'000
Total cash outflow for leases	367

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

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	
	2020 \$'000	2019 \$'000
Short-term benefits	1,525	1,412
Contribution to defined contribution plans	40	42
Fair value of share based compensation	-	11
	1,565	1,465

Transactions

The Chief Executive Officer leased his property in Australia to a subsidiary, Palm Beach Motor Yacht Co Pty Ltd, for the use as manufacturing facility. The total rental paid by the Group was \$245,000 (2019: \$258,000).

27 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.

Risk management framework

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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The carrying amounts of financial assets and contract assets represent the Group's maximum exposures to credit risk.

The Group manages its credit risk through the application of credit approvals, credit limits and monitoring procedures. Management considers the demographics of its customer base including the default risk associated with the customers' profile and background, and the industry and country in which customer, operate as these factors may impact the Group's credit risk profile.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The Group's credit review includes the consideration of historical loss rates, financial status and industry information. Sales credit limits are established for each customer. Where appropriate, the Company obtains collaterals from customers. Cash terms, advance payments, and letters of credit or bank guarantees are required for customers of lower credit standing.

Exposure to credit risk

Trade receivables and contract assets

As at 30 June 2020, there were no significant concentrations of credit risk. A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

	2020 Not Credit-impaired \$'000	2019 Not Credit-impaired \$'000
<i>Receivables measured at lifetime ECL</i>		
Trade receivables	792	294
Contract assets	11,596	10,533
Total	12,388	10,827

Expected credit loss assessment

The Group uses ECL model for the impairment of trade receivables and contract assets. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, and available press information, if available, and applying experienced credit judgement), these exposures are considered to have low credit risk. Impairment on these balances have been measured on the lifetime expected credit loss basis.

Non-trade amount due from related parties

Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, and available press information, if available), these exposures are considered to have low credit risk. The amount of allowance is insignificant.

Other receivables

Other receivables are short-term in nature. Impairment on other receivables has been measured on the 12-month expected loss basis and reflects the short maturities of exposures. The Group considers its receivables to have low credit risk and the amounting allowance on other receivables is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents are placed with financial institutions, which are regulated. The amount of the allowance on cash and cash equivalents is negligible.

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:

		Cash flows				
	Note	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
Group						
30 June 2020						
Trade and other payables*	13	8,634	8,634	8,634	-	-
Interest bearing loans and borrowings	15	4,545	4,033	1,283	2,750	-
Deferred consideration	16	2,188	2,149	570	1,579	-

* Excluding advance payments received from customers before the related construction work is performed.

		Cash flows				
	Note	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
Group						
30 June 2019						
Trade and other payables*	13	10,044	10,044	10,044	-	-
Interest bearing loans and borrowings	15	13,404	14,254	8,399	5,855	-
Deferred consideration	16	2,606	3,066	480	2,586	-
Company						
30 June 2020						
Trade and other payables	13	519	519	519	-	-
30 June 2019						
Trade and other payables	13	374	374	374	-	-

* Excluding advance payments received from customers before the related construction work is performed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Cash and cash equivalents (Continued)

Liquidity risk (Continued)

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	
		2020 '000	2019 \$'000	2020 '000	2019 \$'000
Fixed rate instruments					
Deferred consideration	16	<u>2,188</u>	<u>2,606</u>	<u>-</u>	<u>-</u>
Variable rate instruments					
Cash and cash equivalents	12	<u>10,717</u>	<u>8,552</u>	<u>209</u>	<u>22</u>
Interest bearing loans and borrowings	15	<u>(4,545)</u>	<u>(13,404)</u>	<u>-</u>	<u>-</u>
		<u>6,172</u>	<u>(4,852)</u>	<u>209</u>	<u>22</u>

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 \$22,000 (2019: \$26,000) for the Group. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Cash and cash equivalents (Continued)

Interest rate risk (Continued)

Sensitivity analysis for variable rate instruments

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
100 bp increase				
Increase in profit before tax	62	(49)	2	—*

* Amount is less than \$1,000.

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 is as follow:

	USD \$'000	SGD \$'000	AUD \$'000	EUR \$'000
Group				
30 June 2020				
Financial assets				
Amortised cost	753	21	35	—
Cash and cash equivalents	8,054	375	659	75
Financial liabilities				
Trade and other payables	(2,545)	(1,478)	(960)	(583)
Net currency exposure	6,262	(1,082)	(266)	(508)
30 June 2019				
Financial assets				
Amortised cost	474	33	37	—
Cash and cash equivalents	4,087	3,790	653	—
Financial liabilities				
Trade and other payables	(2,211)	(1,093)	(1,451)	(1,536)
Net currency exposure	2,350	2,730	(761)	(1,536)

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Cash and cash equivalents (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.

	2020 Profit from operations \$'000	2019 Profit from operations \$'000
Group		
USD	63	24
SGD	(11)	27
AUD	(3)	(8)
EUR	(5)	(15)

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.

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	Amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
Group					
30 June 2020					
Trade and other receivables	10	990	-	990	990
Cash and cash equivalents	12	10,717	-	10,717	10,717
		<u>11,707</u>	<u>-</u>	<u>11,707</u>	<u>11,707</u>
Trade and other payables*	13	-	8,634	8,634	8,634
Interest bearing loans and borrowings	15	-	4,545	4,545	4,545
Deferred consideration	16	-	2,188	2,188	2,188
		<u>-</u>	<u>15,367</u>	<u>15,367</u>	<u>15,367</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Cash and cash equivalents (Continued)

Fair values of financial assets and financial liabilities (Continued)

	Note	Amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Fair value \$'000
30 June 2019					
Trade and other receivables	10	496	–	496	496
Cash and cash equivalents	12	8,552	–	8,552	8,552
		9,048	–	9,048	9,048
Trade and other payables*	13	–	10,044	10,044	10,044
Interest bearing loans and borrowings	15	–	13,404	13,404	13,404
Deferred consideration	16	–	2,606	2,606	2,606
		–	26,054	26,054	26,054

* Excluding advance payments received from customers before the related construction work is performed.

Interest bearing loans and borrowings

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

Deferred consideration

The carrying value based on the 4% interest rate from the secured promissory 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 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 (2019: two operating and reporting segments) which is the manufacturing & trading segment – comprising manufacturing and sale of yachts to end customers (2019: 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 2020

28 OPERATING SEGMENTS (CONTINUED)

	Reconciliation									
	Manufacturing and trading segment		Others [#]		Corporate		Adjustments		Consolidated	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue and expenses										
External revenue	88,755	69,236	14,479	10,332	-	-	103,234	79,568		
Inter-segment revenue	3,219	3,416	1,422	1,834	-	(4,641)	-	-		
Total revenue	91,974	72,652	15,901	12,166	-	(4,641)	103,234	79,568		
Segment results [*]	12,582	11,420	(161)	394	(1,102)	2,838	6,678	5,595		
Depreciation and amortisation	(5,083)	(3,768)	-	-	-	-	(5,083)	(3,768)		
Interest income	20	23	-	-	-	-	20	23		
Interest expense	(751)	(627)	-	-	-	-	(751)	(627)		
Operating profit before tax	6,768	7,048	(161)	394	(1,102)	2,838	864	1,223		
Income tax credit	191	277	-	-	-	-	191	277		
Segment profit	6,959	7,325	(161)	394	(1,102)	2,838	1,055	1,500		

* 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 2020

28 OPERATING SEGMENTS (CONTINUED)

	Reconciliation											
	Manufacturing and trading segment		Others#		Corporate		Adjustments		Consolidated			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Other material non-cash items:</i>												
Allowance made for inventory obsolescence	(725)	(321)	-	-	-	-	-	-	(725)	(321)		
Property, plant and equipment written off	-	(213)	-	-	-	-	-	-	-	(213)		
Provisions for warranty claims	(3,188)	(3,488)	-	-	-	-	-	-	(3,188)	(3,488)		
Assets and liabilities												
Segment assets	81,355	88,224	3,354	-	45,117	45,983	(44,891)	(45,859)	84,935	88,348		
Tax assets	4,225	5,122	-	-	-	-	-	-	4,225	5,122		
Segment liabilities	31,229	37,572	-	-	519	374	-	-	31,748	37,946		
Tax liabilities	382	422	-	-	-	-	-	-	382	422		
Capital expenditures	3,833	7,684	-	-	-	-	-	-	3,833	7,684		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 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:

	2020 \$'000	2019 \$'000
America	86,736	65,706
Australia	16,498	12,430
Europe	-	1,432
	103,234	79,568

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 \$32,788,000 (2019: \$39,926,000) are substantially located in Malaysia and Australia (2019: Malaysia and Australia).

STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2020

Issued Share Capital : 184,634,649 ordinary shares
 Voting Rights : 1 vote per ordinary share

Director's Shareholdings

As at 21 July 2020

Name of Directors	No. of Shares
Mark Jonathon Richards	11,025,400
Heine Askaer-Jensen	701,500
Basil Chan	301,500
Gerard Lim Ewe Keng	212,000
Gary James Weisman	275,000

Substantial Shareholders

As at 18 September 2020, 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	49,553,497	–	49,553,497	26.84
Tan Sri Lim Kok Thay ⁽¹⁾	3,056,497	49,553,497	52,609,994	28.49
Golden Hope Limited ⁽²⁾	–	49,553,497	49,553,497	26.84
First Names Trust Company (Isle of Man) Limited ⁽³⁾	–	49,553,497	49,553,497	26.84
Lim Keong Hui ⁽⁴⁾	–	49,553,497	49,553,497	26.84
Star Cruises Terminal (China) Limited ⁽⁵⁾	–	49,553,497	49,553,497	26.84
Genting Hong Kong Limited ⁽⁶⁾	–	49,553,497	49,553,497	26.84
Willimbury Pty Ltd ⁽⁷⁾	20,035,200	–	20,035,200	10.85
Arminella Pty Ltd (as trustee for SJHA Investment Trust) ⁽⁸⁾	16,580,778	–	16,580,778	8.98
Mark Jonathon Richards	11,025,400	–	11,025,400	5.97

Notes:

- (1) 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.
- (2) Golden Hope Limited, as trustee of Golden Hope Unit Trust, is deemed interested in the Shares held by Exa Limited.
- (3) First Names Trust Company (Isle of Man) Limited, as trustee of a discretionary trust, is deemed interested in the Shares held by Exa Limited.
- (4) 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.
- (5) Star Cruises Terminal (China) Limited, as the sole shareholder of Exa Limited, is deemed interested in the Shares held by Exa Limited.
- (6) Genting Hong Kong Limited, as the sole shareholder of Star Cruises Terminal (China) Limited, is deemed interested in the Shares held by Exa Limited.
- (7) 20,035,200 shares are held by Citibank Nominees Singapore Pte Ltd.
- (8) 16,580,778 shares are held by Raffles Nominees (Pte) Limited.

STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2020

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	95	5.82	1,005	0.00
100 – 1,000	278	17.01	155,663	0.08
1,001 – 10,000	856	52.39	3,800,347	2.06
10,001 – 1,000,000	386	23.62	22,856,421	12.38
1,000,001 and above	19	1.16	157,821,213	85.48
TOTAL	1,634	100.00	184,634,649	100.00

As at 18 September 2020, approximately 44.9% 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	49,553,497	26.84
2	Citibank Nominees Singapore Pte Ltd	26,208,378	14.20
3	Raffles Nominees (Pte) Limited	17,192,928	9.31
4	DBS Nominees (Private) Limited	12,329,523	6.68
5	Mark Jonathon Richards	11,025,400	5.97
6	Fong Peg Hong	7,300,000	3.95
7	Mok Cheek Meng Tony	4,650,000	2.52
8	Goh Guan Siong (Wu Yuanxiang)	3,500,100	1.90
9	UOB Kay Hian Private Limited	3,480,050	1.88
10	Lim Kok Thay	3,056,497	1.66
11	Phillip Securities Pte Ltd	2,839,578	1.54
12	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,760,000	1.49
13	Ronald Clayton Filbert or Bernice Bernita Filbert	2,714,000	1.47
14	Kwah Yeow Khong	2,580,000	1.40
15	Cheng Lim Kong	2,400,000	1.30
16	United Overseas Bank Nominees (Private) Limited	2,241,062	1.21
17	Maybank Kim Eng Securities Pte. Ltd.	1,544,000	0.84
18	Sim Siew Tin Carol (Shen Xiuzhen Carol)	1,421,800	0.77
19	RHB Securities Singapore Pte. Ltd.	1,024,400	0.55
20	OCBC Nominees Singapore Private Limited	909,465	0.49
TOTAL		158,730,678	85.97

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be convened and held by way of electronic means on **Wednesday, 28 October 2020 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 2020 together with the Auditors' Report thereon. **(Resolution 1)**
- 2) To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 2)**
- 3) To approve the payment of Directors' fees of S\$252,500 for the financial year ending 30 June 2021, to be paid quarterly in arrears. (2020: S\$252,500) **(Resolution 3)**
- 4) To re-appoint Mr. Basil Chan, who is retiring pursuant to Article 86 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and who, being eligible, offers himself for re-appointment as an Independent and Non-Executive Director.
[see Explanatory Note (i)(a)] **(Resolution 4)**
- 5) To re-appoint Mr. Gary James Weisman, who is retiring pursuant to Article 86 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the SGX-ST, and who, being eligible, offers himself for re-appointment as an Independent and Non-Executive Director.
[see Explanatory Note (i)(b)] **(Resolution 5)**
- 6) 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:

7) **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 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

NOTICE OF ANNUAL GENERAL MEETING

- (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,

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 of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; 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 (ii)]

(Resolution 6)

8) **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 and Rule 806 of the Listing Manual of the SGX-ST, 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

NOTICE OF ANNUAL GENERAL MEETING

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 (iii)]

(Resolution 7)

BY ORDER OF THE BOARD

Ler Ching Chua
Company Secretary

Singapore
12 October 2020

Explanatory Notes:

(i) Resolutions 4 and 5 above, relates to the re-appointment of the following Directors retiring by rotation pursuant to Article 86 of the Company's Constitution and Rule 720(5) of the Listing Manual of the SGX-ST:

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

There are no relationships including immediate family relationships between Mr. Basil Chan and the other Directors, the Company or its substantial shareholders; and Mr. Basil Chan does hold current directorship in other public listed companies and have other principal commitments.

(b) Mr. Gary James Weisman will, upon re-appointment as an Independent and Non-Executive Director of the Company, remain as Chairman of Strategic Committee and a member of the Risk Management and Audit Committee, and will be considered independent.

There are no relationships including immediate family relationships between Mr. Gary James Weisman and the other Directors, the Company or its substantial shareholders; and Mr. Gary James Weisman does not hold any current directorship in other public listed companies nor does he have any other principal commitments.

Additional information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (in the format as set out in the Appendix 7.4.1 of the Listing Manual of the SGX-ST) on Messrs Basil Chan and Gary James Weisman, who are subject to retirement and re-appointment at the Annual General Meeting can be found under "Board of Directors", "Corporate Governance" and "Additional Information on Directors Seeking Re-Appointment at Annual General Meeting on 28 October 2020" sections of the FY2020 Annual Report of the Company.

(ii) Resolution 6, if passed, authorises the Directors from the date of the 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 a 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.

(iii) Resolution 7, 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 a 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, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- The Company's Annual General Meeting ("AGM") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 released on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued by the Minister for Law on 13 April 2020 (and updated on 27 April 2020 and 22 June 2020).
- Printed copies of the Notice of AGM dated 12 October 2020 ("**AGM Notice**") and the Proxy Form **will not** be mailed to shareholders, instead, these documents will be sent to shareholders by way of electronic means via publication on the SGXNet at the URL <https://www.sgx.com/securities/company-announcements> and can be accessed at the Company's website at the URL <http://grandbanks.listedcompany.com>.
- Due to the current COVID-19 restriction orders in Singapore, shareholders will not be able to attend the AGM in person. Any shareholder seeking to attend the AGM physically in person will be declined.** The Company has made alternative arrangements relating to the (i) attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast and "live" audio-only stream); (ii) submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM; and (iii) voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying announcement released on the SGXNet on 12 October 2020. This announcement may be accessed at the Company's website at the URL <http://grandbanks.listedcompany.com> and will be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
- Shareholders will be able to watch the AGM via the "live" audio-visual webcast and "live" audio-only stream (the "**Live AGM Webcast**") via their mobile phones, tablets or computers. Shareholders **will not** be able to vote or ask any questions during the Live AGM Webcast.
- Details on how shareholders may pre-register for the AGM and submit questions related to the resolutions to be tabled for approval at the AGM, in advance of the AGM, are set out in the accompanying announcement released on the SGXNet on 12 October 2020.
- Shareholders (whether individual or corporate) who wish to exercise his/her/its voting rights at the AGM must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM by completing and submitting to the Company the Proxy Form.** In addition, where a shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting (whether to vote in favour of or against, or abstain from voting) in respect of a resolution in the Proxy Form, failing which, the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
- Shareholders who hold shares in the Company through a relevant intermediary (as defined below), including CPF or SRS investors who wish to appoint the Chairman of the Meeting as their proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on Friday, 16 October 2020**.

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

- 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
 - 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
 - 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.
- The Chairman of the Meeting, as proxy, need not be a member of the Company.
 - The instrument and/or the Proxy Form appointing the Chairman of Meeting as proxy must be submitted in the following manner by 10.00 a.m. on 27 October 2020, being not less than **twenty-four (24) hours** before the time appointed for holding the AGM:
 - If submitted by post**, be deposited at the Registered Office of the Company at 274 Upper Bukit Timah Road #03-16 Singapore 588213; or
 - If submitted electronically**, be submitted via email to GBYagm2020@boardroomlimited.com by enclosing a signed PDF copy of the Proxy Form.

A Shareholder who wishes to submit an instrument of proxy must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for Shareholders to submit the completed Proxy Forms by post, shareholders are strongly encouraged to submit the completed Proxy Forms electronically via email.

- If the appointor is a corporation, the Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING ON 28 OCTOBER 2020

Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the information as set out in the Appendix 7.4.1 of the Listing Manual of the SGX-ST on Messrs Basil Chan and Gary James Weisman, who are seeking re-appointment as Directors at the Company's forthcoming Annual General Meeting on 28 October 2020, are set out below:

Name of Director	Basil Chan <i>Non-Executive and Independent Director</i>	Gary James Weisman <i>Non-Executive and Independent Director</i>
Date of Appointment	14 November 2011	28 October 2015
Date of last re-appointment	25 October 2018	26 October 2017
Age	69	70
Country of principal residence	Singapore	USA
The Board's comments on this re-appointment (including rationale, selection criteria, and the search and nomination process)	The NC had recommended to the Board the re-appointment of Mr Basil Chan as a Director and took into account his attendance at meetings, contributions and performance in its assessment and recommendation. The Board concurred with the NC's recommendation on Mr Basil Chan's re-appointment as a Director of the Company.	The NC had recommended to the Board the re-appointment of Mr Gary James Weisman as a Director and took into account his attendance at meetings, contributions and performance in its assessment and recommendation. The Board concurred with the NC's recommendation on Mr Gary Weisman's re-appointment as a Director of the Company.
Whether re-appointment is executive, and if so, the area of responsibility	N.A.	N.A.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent and Non-Executive Director; Chairman of the Risk Management and Audit Committee and Nominating Committee, and a member of the Remuneration Committee.	Independent and Non-Executive Director; Chairman of the Strategic Committee and a member of the Risk Management and Audit Committee.
Professional qualifications	Please refer to the "Board of Directors" section on page 09 of the Annual Report.	Please refer to the "Board of Directors" section on page 09 of the Annual Report.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING ON 28 OCTOBER 2020

Name of Director	Basil Chan <i>Non-Executive and Independent Director</i>	Gary James Weisman <i>Non-Executive and Independent Director</i>
Working experience and occupation(s) during the past 10 years	<p>2003 to Present Managing Director – MBE Corporate Advisory Pte Ltd</p> <p>2006 to Present Director – AEM Holdings Ltd</p> <p>2017 to Present Director – Memories Group Limited (formerly SHC Capital Limited)</p> <p>2019 to Present Director – Broadway Industrial Group Limited</p> <p>Mar 2020 to Present Director – Nera Telecommunications Ltd</p>	<p>1998 to 2013 President – North Sails</p> <p>2010 to Present Director – Sailing Yacht Research Foundation</p>
Shareholding interest in the listed issuer and its subsidiaries	301,500 ordinary shares	275,000 ordinary shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING ON 28 OCTOBER 2020

Name of Director	Basil Chan <i>Non-Executive and Independent Director</i>	Gary James Weisman <i>Non-Executive and Independent Director</i>
Other Principal Commitments¹ including Directorships²	<p>Past Directorships (for the last 5 years):</p> <p>2015 to 2016 Director – SBI Offshore Limited</p> <p>2014 to 2017 Director – Singapore eDevelopment Ltd</p> <p>2006 to 2017 Director – YOMA Strategic Holdings Ltd</p> <p>2012 to 2020 Director – Global Invacom Group Limited</p> <p>Present/Existing Directorships, and Other Principal Commitments:</p> <p>2003 to Present Managing Director – MBE Corporate Advisory Pte Ltd</p> <p>2006 to Present Director – AEM Holdings Ltd</p> <p>2017 to Present Director – Memories Group Limited (formerly SHC Capital Limited)</p> <p>2019 to Present Director – Broadway Industrial Group Limited</p> <p>Mar 2020 to Present Director – Nera Telecommunications</p>	<p>Past Directorships (for the last 5 years):</p> <p>Nil</p> <p>Other Principal Commitments:</p> <p>Nil</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING ON 28 OCTOBER 2020

Name of Director	Basil Chan <i>Non-Executive and Independent Director</i>	Gary James Weisman <i>Non-Executive and Independent Director</i>
Disclosures as set out in paragraphs (a) to (k) of the Appendix 7.4.1	<p>Mr Basil Chan has provided a negative confirmation to each of the items (a), (c) to (i) and (k). As for items (b) and (j), Mr Chan has provided the following declarations:</p> <p>(b) Micropolis Group of Companies – Mr Chan was a director of the following companies which were the subject of insolvency petitions in court: a) Micropolis (USA) Inc.; b) Micropolis (UK) Limited; c) Micropolis (Deutschland) Gmbh and d) Micropolis AB. These companies were part of the Micropolis Group of Companies which were placed in liquidation beginning in late 1997.</p> <p>(j) Stratech Systems Limited – Mr Chan was a non-executive independent director of Stratech Systems Limited that was investigated by the Commercial Affairs Department (“CAD”) in 2006 in relation to a possible breach of the Securities and Futures Act. As far as Mr Chan is aware the matter has been closed and no charges were made against any director.</p>	<p>Mr Gary James Weisman has provided a negative confirmation to each of the items (a) to (k).</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING ON 28 OCTOBER 2020

Name of Director	Basil Chan <i>Non-Executive and Independent Director</i>	Gary James Weisman <i>Non-Executive and Independent Director</i>
	<p>(i) AEM Holdings Limited – Mr Chan was a non-executive independent director of AEM Holdings Limited which announced in May 2007 that seven of its employees (including its Chief Executive Officer) are under investigation by the Corrupt Practices Investigation Bureau (“CPIB”) and Mr Chan assisted the CPIB in their investigation. Mr Chan was appointed to the Board on 8 March 2006 and these events occurred prior to his appointment.</p> <p>(j) Lindeteves-Jacoberg Limited – In May 2007, Mr Chan attended as witness to assist an investigation by the CAD into an offence under the Securities and Futures Act in relation to Lindeteves-Jacoberg Limited in which he was a former non-executive independent director.</p>	

¹ “Principal Commitments” has the same meaning as defined in the 2012 Code of Corporate Governance (i.e. includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments).

² Not applicable for announcements of appointment pursuant to Rule 704(9) of the Listing Manual of the SGX-ST (i.e. appointment of a person who is a relative of a director or chief executive officer or substantial shareholder of the Company to a managerial position in the Company or any of its principal subsidiaries).

This page has been intentionally left blank

GRAND BANKS YACHTS LIMITED

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

IMPORTANT:

1. The Annual General Meeting ("AGM") of Grand Banks Yachts Limited (the "Company") is being convened, and will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) Act 2020 released on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued by the Minister for Law on 13 April 2020 (and updated on 27 April 2020 and 22 June 2020).
2. Alternative arrangements relating to the (i) attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast and "live" audio-only stream); (ii) submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM; and (iii) voting by appointing the Chairman of the Meeting as proxy at the AGM, are as set out in the accompanying announcement released on the SGXNet on 12 October 2020.
3. The Notice of AGM and this Proxy Form may be accessed at the SGXNet and the Company's website.
4. **Due to the current COVID-19 restriction orders in Singapore, shareholders will not be able to attend the AGM in person. Shareholders (whether individual or corporate) who wish to exercise his/her/its voting rights at the AGM must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.**
5. For CPF/SRS investors who have used their CPF/SRS monies to buy **Grand Banks Yachts Limited's** shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Bank/SRS Operators if they have any queries regarding their appointment as proxies.
6. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a Shareholder's proxy to attend, speak and vote on his/her/its behalf at the AGM.

PROXY FORM ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

I/We*, _____ (Name)

of _____ (Address)

being a member/members* of Grand Banks Yachts Limited (the "Company"), hereby appoint the Chairman of the Meeting as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting (the "AGM") of the Company to be convened and held by way of electronic means on **Wednesday, 28 October 2020 at 10.00 a.m.** and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against or abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder.

Ordinary Resolutions relating to:	Number of Votes		
	For ⁽¹⁾	Against ⁽¹⁾	Abstain ⁽¹⁾
Resolution 1 Adoption of Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2020.			
Resolution 2 Re-appointment of KPMG LLP as Auditors of the Company and authorising the Directors to fix their remuneration.			
Resolution 3 Approval of payment of Directors' fees of S\$252,500 for the financial year ending 30 June 2021, to be paid quarterly in arrears.			
Resolution 4 Re-appointment of Mr. Basil Chan as an Independent Director.			
Resolution 5 Re-appointment of Mr. Gary James Weisman as an Independent Director.			
Resolution 6 Authority to issue shares.			
Resolution 7 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⁾ If you wish to exercise all your votes "For" or "Against" or "Abstain" the relevant resolution, please indicate your vote with a tick (✓) within the relevant boxes provided. Alternatively, if you wish to exercise your votes "For" and "Against" or "Abstain" the relevant resolution, please indicate the number of votes as appropriate in the boxes provided above. In the absence of specified directions in respect of a resolution, the appointment of Chairman of the Meeting as your proxy for that resolution will be treated as invalid.

Dated this _____ day of _____ 2020.

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

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes:

1. **Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person.** A member (whether individual or corporate) who wishes to exercise his/her/its voting rights at the AGM must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the deferred AGM.
2. A printed copy of this Proxy Form **will not** be mailed to members. This Proxy Form may be accessed at the Company's website at the URL <http://grandbanks.listedcompany.com> and will be made available on the SGX website at the URL <https://www.sgx.com/securities/companyannouncements>.
3. 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.
4. In appointing Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting (whether to vote in favour of or against, or abstain from voting) in respect of a resolution in the Proxy Form, failing which, the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
5. A member who hold shares of the Company through a relevant intermediary (as defined in Section 181 of the Companies Act), including CPF or SRS investors who wish to appoint the Chairman of the Meeting as their proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on Friday, 16 October 2020**.

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.
6. The Chairman of the Meeting, as proxy, need not be a member of the Company.
 7. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy 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 AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
 9. The instrument appointing the Chairman of Meeting as proxy, duly executed, together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be submitted to the Company in the following manner by **10.00 a.m. on 27 October 2020**, being not less than twenty-four (24) hours before the time appointed for holding the AGM:
 - (i) **If submitted by post**, be deposited at the Registered Office of the Company at 274 Upper Bukit Timah Road #03-16 Singapore 588213; or
 - (ii) **If submitted by electronically**, be submitted via email to GBYagm2020@boardroomlimited.com by enclosing a signed PDF copy of the Proxy Form.

A member who wishes to submit an instrument of proxy must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for Shareholders to submit the completed Proxy Forms by post, shareholders are strongly encouraged to submit the completed Proxy Forms electronically via email.

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 12 October 2020.

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 2020

ABOUT THIS REPORT

This is Grand Banks Yachts Limited's ("Grand Banks", "the Company") fourth annual Sustainability Report ("Report"). This report provides a yearly progress update of our ongoing commitment to sustainability with a focus on addressing Grand Banks' material Environmental, Social and Governance ("ESG") issues. Combined with our Annual Report, this report provides a holistic view of our overall performance to stakeholders.

Similar to the last three financial years, this report has been prepared in accordance with the Global Reporting Initiative (*GRI Standards 2016: Core option*). We have elected to use the GRI Standards for sustainability reporting due to its international recognition and widespread use by companies around the world. This report is also prepared in accordance with SGX-ST Listing Rules (711A and 711B) – Sustainability Reporting.

We have also integrated the UN Sustainable Development Goals ("SDGs") into our reporting process to map our contribution to sustainable development.

Report Scope & Boundary

The report covers Grand Banks' ESG performance from 1 July 2019 to 30 June 2020 (FY2020). For comparison, we have included the historical data for FY2018 and FY2019 unless stated otherwise.

Environmental and social performance data is derived 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.

This is the second year the report includes sustainability data for our US entity Stuart Yacht Corporation in Florida, which we acquired in May 2018. For comparability, the US environmental data is being presented separately in the chapter on Environment.

Employee related performance data covers the entire Grand Banks Group which includes Grand Banks Yachts entities located in Malaysia, Singapore and the USA as well as Palm Beach Motor Yacht entities located in Australia.

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

Exclusions

Unless specified otherwise, excluded from this Report is the ESG performance of the Group's vendors, suppliers and its value chain as we do not have any control or access to their ESG data. However, this report includes the results of a sustainability self-assessment conducted by our key suppliers for the second time.

Restatements

Due to revisions in grid emission factors by respective authorities in Singapore and Malaysia, we have adjusted our carbon emissions data for FY2018 and FY2019 which has resulted in lower emissions for these two years.

Reporting Principles

We have applied GRI's reporting principles to determine the report content and ensure data quality. The material topics covered in the report have been determined by applying the GRI principles of stakeholder inclusiveness, materiality, sustainability context and completeness. Also considered were the Grand Banks' business and operational strategies, its operating environment, various risk factors, opportunities and overall outlook and prospects in determining general report direction and content.

SUSTAINABILITY REPORT 2020

Report Quality has been guided by the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness.

To ensure accuracy, all data included in this report has been sourced from primary official records. On occasions where data is incomplete or unavailable, we have provided disclosure with supporting explanations and rationales where required. We have used internationally accepted measurement units for all data to facilitate comparability.

Financial figures are in Singapore dollars unless specified otherwise.

Assurance

Grand Banks has chosen to leverage internal verification mechanisms to ensure data quality and accuracy. We have not obtained external assurance for sustainability information in this report.

Availability

This Report, as a part of the Annual Report, is available in PDF form on our website <http://grandbanks.listedcompany.com> for download. Limited hard copies have been printed on paper to minimise our environmental impact.

Feedback

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

PERFORMANCE HIGHLIGHTS

ESG PERFORMANCE (FY ending on 30 June) ⁽¹⁾			
ESG FACTORS	FY2018	FY2019	FY2020
ENVIRONMENTAL			
CO ₂ emissions (t)	1,774	1,913	1,733
Carbon emission intensity per labour hour (kgCO ₂)	1.4	1.3	1.3
Energy intensity per labour hour (MJ) ⁽³⁾	9.6	9.2	9.6
Electricity used (kWh)	2,637,183	2,883,178	2,537,812
Water consumption (m ³)	20,266	22,620	24,374
Non-hazardous waste (t) ⁽⁴⁾	1,729	1,355	1,413
Hazardous waste (t) ⁽⁴⁾	25.9	37.7	21.4
SOCIAL			
Employees			
Number of employees	747	818	737
Direct employees (Production Workers)	84.7%	85.5%	84.8%
New hires	270	211	128
Female employees (Office functions)	32.8%	34.8%	28.9%
Average training hours per employee (Female)	0.8	3.0	2.9

SUSTAINABILITY REPORT

2020

ESG PERFORMANCE (FY ending on 30 June) ⁽¹⁾			
ESG FACTORS	FY2018	FY2019	FY2020
Average training hours per employee (Male)	2.2	4.2	2.6
Employee turnover rate	26.7%	16.4%	28.4%
Fatal accidents	0	0	0
Suppliers			
Share of local suppliers as % of total purchase value	43.7%	56.3%	57.7%
FINANCIAL (\$m)			
Revenue	82.0	79.6	103.2
Net profit	8.9	1.5	1.1
Employee wages and benefits	26.9	28.8	28.8
Dividends paid/declared to shareholders	0.9	None	None

Notes:

(1) FY2018: 1 July 2017 to 30 June 2018, FY2019: 1 July 2018 to 30 June 2019, FY2020: 1 July 2019 to 30 June 2020.

(2) Environmental figures exclude data from our US operations which has been reported separately for comparability in the chapter on Environment.

(3) Energy data refers to electricity, diesel and petrol consumption.

(4) Waste data refers to operations in Malaysia facility only.

SUSTAINABILITY GOVERNANCE

At Grand Banks, the governance of sustainability matters is integrated into our corporate governance structure. The Board of Directors has oversight over the management and implementation of sustainability strategies. The Board plays an active role in driving sustainability and works closely with senior management to develop strategies, policies, goals and targets to support sustainable growth of the business. The Board provides overall direction for the company's sustainability strategy and preparation of the Sustainability Report.

The Board's Risk Management and Audit Committee has formal responsibility for managing ESG issues and sustainability reporting. The full Board receives periodic updates on Grand Banks' ongoing ESG activities and performance.

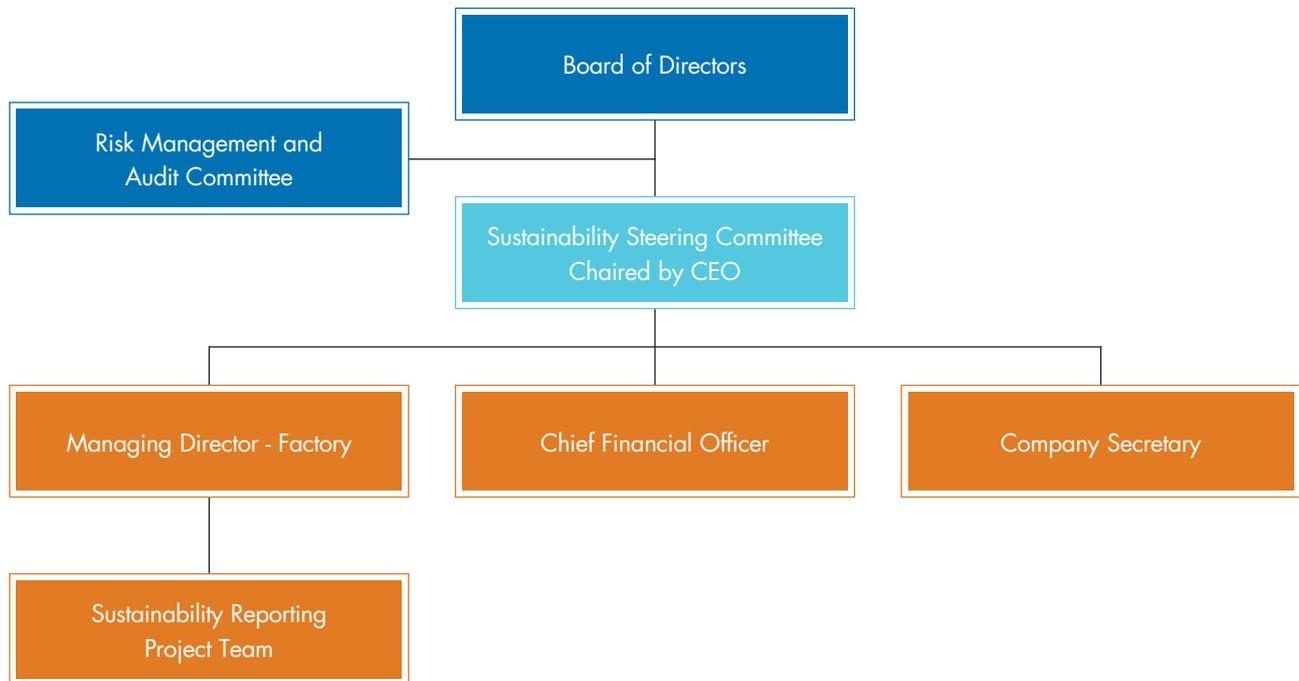
Grand Banks' Sustainability Steering Committee ("SSC"), chaired by the chief executive officer, supports the Board and the Risk Management and Audit Committee. The SSC serves as the central coordinating body for implementing sustainability policy, strategy and reporting. With oversight from the Board, the SSC reviews, assesses and determines the sustainability context, material factors, scope, boundary, completeness and prioritisation of the issues for reporting.

A Sustainability Reporting Project Team ("RPT") has been constituted for collecting and verifying ESG data for reporting. The RPT includes representatives from the key departments and functions.

Sustainability activities are managed at the functional and operational level across the organisation.

Read more about our governance structure in the *Corporate Governance* chapter in this Annual Report.

SUSTAINABILITY REPORT 2020



Board Statement

The Grand Banks Board upholds the highest standards of professional conduct, accountability and transparency. The Board is committed to creating sustainable value for all stakeholders through good governance of economic, environmental and social aspects of the business.

The Board, supported by the Sustainability Steering Committee (SSC), considers sustainability issues in its strategy, determines the material Environmental, Social and Governance (ESG) factors and oversees the management of these factors.

This sustainability report details how Grand Banks manages its material ESG impacts to create a positive value for our stakeholders. The Board has reviewed and endorsed this Sustainability Report.

SUSTAINABILITY STRATEGY

Our sustainability strategy focuses on mitigating risk and creating value across material environmental, social and governance (ESG) factors. Our strategic initiatives cover the following areas:

- Governance: Leading by principles
- Environment: Protecting the planet
- People: Empowering for performance
- Marketplace: Operating responsibly
- Community: Contributing positively
- Economic performance: Creating value for shareholders and stakeholders

SUSTAINABILITY REPORT 2020

KEY HIGHLIGHTS FROM FY2020



GOVERNANCE
Singapore Governance and Transparency Index 2020

Ranked 32, improvement from 2019 rank of 93



ENVIRONMENT

Carbon emissions intensity (kgCO₂/Labour Hour) reduced by 41% from FY2015 level.

Energy intensity (MJ/Labour Hour) reduced by 27% from FY2015 level.



PEOPLE

Constant drop in injury rate in our Malaysia factory since FY2015

Continued record of Zero fatalities across factories



MARKETPLACE

Innovative Production Process of The Year win at 2019 Boat Builder Awards



COMMUNITY

Continued goodwill with local communities



ECONOMIC PERFORMANCE

5th consecutive year of profitability

STAKEHOLDERS

We maintain an open and ongoing engagement with various stakeholders as we pursue our corporate goals.

Understanding the views and concerns of our stakeholders helps us make informed decisions across our business activities. Stakeholder engagement also helps us determine our strategic priorities.

Our stakeholders are individuals or groups that are affected by Grand Banks’ activities or have the potential to impact or influence the GB Group’s operational or financial performance. Our key stakeholders include customers, employees, suppliers and contractors, governments and regulators, shareholders and investors, industry peers, NGOs and media.

We regularly engage our stakeholder through a variety of platforms and channels. The following table summarises our approach to stakeholder engagement.

Stakeholder Groups	Stakeholder expectations	Our engagement channels	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.

SUSTAINABILITY REPORT

2020

Stakeholder Groups	Stakeholder expectations	Our engagement channels	Addressing their expectations
Employees	Safety and wellbeing amid the pandemic, 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.	Implementing safe management measures for the health, safety and wellbeing during the COVID-19 pandemic, facilitating Work From Home, 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 honouring 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.
Community and NGOs	Responsible employment and business operations, support for and contributing to local community causes.	Sports, 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.

SUSTAINABILITY REPORT

2020

Stakeholder Groups	Stakeholder expectations	Our engagement channels	Addressing their expectations
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.

Relevant Memberships

We actively participate in several industry organisations focused on issues important to the business and relevant stakeholders. Our key memberships include:

- Singapore Business Federation
- Federation Malaysian Manufacturing
- Malaysian International Chamber of Commerce and Industry
- American Boat & Yacht Council
- Boating Industries Alliance Australia
- International Yacht Broker's Association

MATERIALITY ASSESSMENT

We continue to follow the GRI Standards for conducting a materiality assessment of our impacts. We consider those topics as material which represent our significant economic, environmental and social impacts or which substantively influence the assessments and decisions of stakeholders. We have also integrated the UN Sustainable Development Goals (SDGs) into our materiality process.

With help from external sustainability experts, the SSC reviews our material topics every year, and the Board's approval is obtained for including in the sustainability report.

In FY2020, we examined our previously reported material topics to prioritise those factors which are highly material to allocate our resources more efficiently. The review considered the severity and relevance of impacts as well as reporting practices by peers in the manufacturing sector. Based on the review, we have determined the following topics as high priority: energy, carbon emissions, waste, product safety, occupational health and safety, employee turnover and anti-corruption. We have added regulatory compliance as a new material topic. In view of the COVID-19 pandemic, we have added Employee Wellbeing as a material topic.

The remaining topics which were included in the previous reporting are now classified as important but not material. There will not be a material change in reporting as we would continue to cover the important topics in our report.

Our materiality assessment also considers the boundary of impacts – where the impacts occur and our involvement with these impacts. Indirect involvement indicates the impacts that occur outside of Grand Banks such as in supply chain where we may have limited or no control.

SUSTAINABILITY REPORT

2020

For FY2020, our highly material topics for reporting are outlined in the following table.

Material Topics (GRI Standards)	Where the Impact Occurs	Our Involvement	Management Approach
ENVIRONMENT			
Energy	Manufacturing operations and during product use by customers	Direct and Indirect	Strive to constantly reduce our energy intensity
GHG emissions	Manufacturing operations and during product use by customers	Direct and Indirect	Strive to constantly reduce our carbon emissions intensity
Waste	Manufacturing operations	Direct	Reduce, reuse and recycle waste
Environmental compliance	Manufacturing facility	Direct	Comply with applicable environmental laws
PEOPLE			
Employment	GB Group	Direct	Build a high performing organisation
Employee wellbeing (Non-GRI Topic)	GB Group	Direct	Implement measures for the health, safety and wellbeing of our employees to mitigate the effects of the COVID-19 pandemic
Employee turnover	GB Group	Direct	Implement policies that help maintain above industry-average retention rate
Occupational health and safety	GB Group	Direct	Maintain a zero-accident workplace
MARKETPLACE			
Customer health and safety	GB Group and Suppliers	Direct and indirect	Compliance with applicable product safety standards
Anti-corruption	GB Group	Direct and Indirect	Maintain zero-tolerance for fraud, bribery and corruption
ECONOMIC			
Economic performance	GB Group	Direct	Consistently improve financial performance
Socio-economic compliance	GB Group	Direct	Comply with applicable socio-economic laws

SUSTAINABILITY REPORT 2020

Important Topics (Not considered material)	Management Approach
Diversity and equal opportunity	Maintain gender, ethnic and cultural diversity
Human rights	Respect and uphold human rights principles, including in our supply chain
Training and education	Support personal and professional development of our people
Sustainable procurement	Engage with suppliers to explore sourcing of sustainable materials
Local communities	Positively contribute to local communities
Indirect economic performance	Contribute positively to the local economy and society

Supporting the United Nations Sustainable Development Goals

The United Nations (UN) Sustainable Development Goals (SDGs) provide a shared roadmap for governments, businesses and civil society organisations to address the most pressing social and environmental challenges facing our world today. The SDGs aim to end poverty, protect the planet and ensure peace and prosperity for all people by 2030.

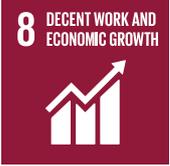
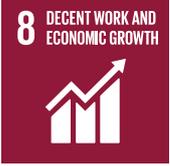
At Grand Banks, we are committed to playing our part in achieving the sustainable development goals. In FY2019, we mapped the 17 SDGs over our material ESG impacts. We determined that our sustainability strategies contribute to the Goal 4 (Quality Education), Goal 5 (Gender Equality), Goal 8 (Decent Work and Economic Growth), Goal 12 (Responsible Consumption and Production), Goal 13 (Climate Action) and Goal 16 (Peace, Justice and Strong Institutions).

In FY 2020, we further reviewed the SDGs in light of our materiality refresh. We also examined the SDG targets to identify those targets where we can make a significant contribution. Our renewed framework for supporting the SDGs is presented here.

ESG Factors	SDG Targets Supported	SDGs
Energy	7.3 By 2030, double the global rate of improvement in energy efficiency 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	 
GHG Emissions	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	

SUSTAINABILITY REPORT

2020

ESG Factors	SDG Targets Supported	SDGs
Waste	<p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p> <p>12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature</p>	
Customer Health and Safety	16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all	
Anti-Corruption	16.5 Substantially reduce corruption and bribery in all their forms	
Environmental Compliance	16.6 Develop effective, accountable and transparent institutions at all levels	
Socio-economic Compliance		
Employment	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	
Employee Turnover		
Occupational Health and Safety	8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular, women migrants, and those in precarious employment	
Employee Wellbeing	Target 3.3. By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases	
Economic Performance	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labour-intensive sectors	

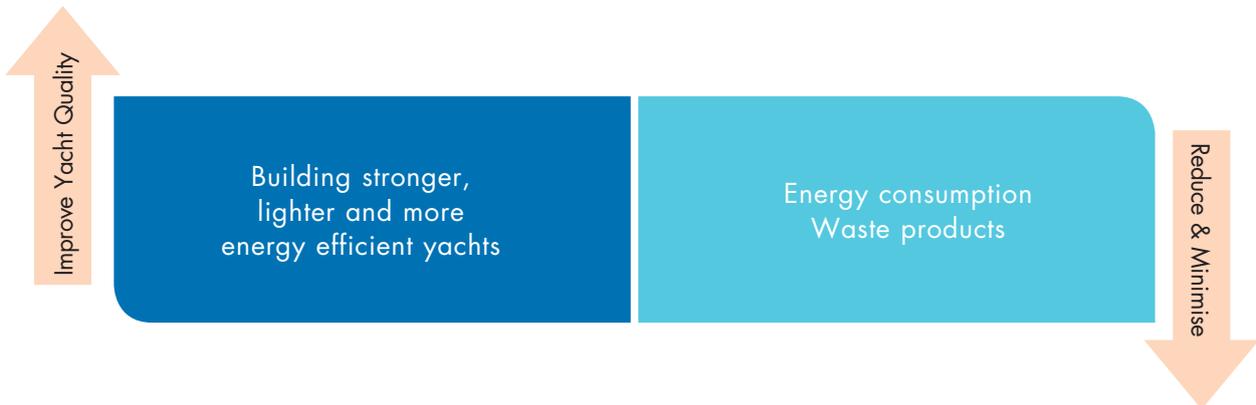
SUSTAINABILITY REPORT 2020

ENVIRONMENT

We are committed to making constant efforts to minimise the environmental impact of our world-class recreational yachts, during both manufacture and use.

At Grand Banks, we have adopted a two-pronged environmental approach that involves reducing and minimising our energy consumption and waste generation and making our yachts lighter and stronger and consequently more energy efficient.

<p>Material Factors</p> <ul style="list-style-type: none"> • Energy • GHG emissions • Waste • Environmental compliance 	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>13 CLIMATE ACTION</p> 	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 
---	---	---	---	---	---



To achieve our priority environmental goals, we focus on energy efficiency, reducing carbon emissions and waste. We also monitor our water consumption even though our use of water is not significant.

TARGET AND PERFORMANCE			
Material Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Energy Consumption	9.2 megajoules per labour hour	9.6 megajoules per labour hour	9.2 megajoules per labour hour
Greenhouse Gas Emissions (CO ₂)	1.3 kgCO ₂ per labour hour	1.3 kgCO ₂ per labour hour	1.2 kgCO ₂ per labour hour
Non-hazardous Waste	1.3 kg/labour hour	1.1kg/labour hour	1.1kg/labour hour
Environmental Compliance	Maintain zero incidents of non-compliance	Zero incidents	Maintain zero incidents of non-compliance

Energy

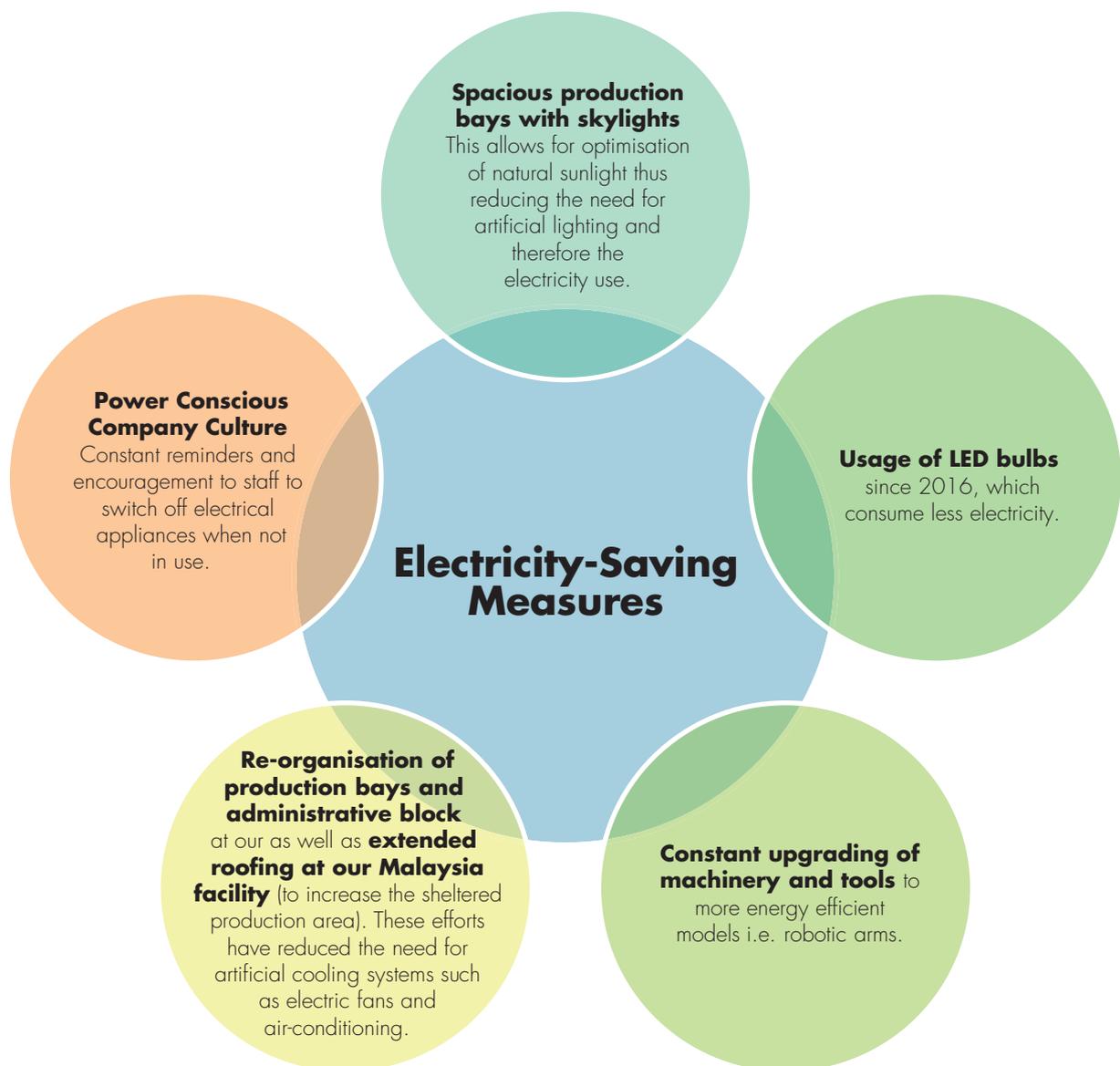
Our energy footprint is from the use of electricity and fuel in our manufacturing facilities. Fuel is also used in our yachts throughout their operating life. Our factories in Malaysia and Australia account for most of our total energy consumption followed by our US entity Stuart Yacht Corporation in Florida which offers private dock and exhibition venue, commissioning, repair and maintenance services for our client base in North America.

SUSTAINABILITY REPORT 2020

Energy – Electricity

In FY2020, our electricity consumption was 2.53 million kWh as compared with 2.88 million kWh in the prior year. Energy intensity was calculated to be 9.6 megajoules (MJ) per labour hour in FY2020 compared with 9.2 MJ/labour hour FY2019.

We remain committed to improving energy efficiency in our manufacturing operations.



The introduction of a robotic arm in the mould making process has translated into significant savings in time and labour, which ultimately leads to enhanced manufacturing productivity as well as cost and energy efficiency. The use of robotics also reduces the waste produced.

SUSTAINABILITY REPORT 2020

Energy – Fuel

We use fuel to test our yachts as well as in transporting our vessels to customers. Fuel is also used by our customers when they use their boats. We strive to continually improve fuel efficiency by building lighter, faster yachts using innovative design and materials.

Rethinking and Redesigning Our Yachts for a More Sustainable Future

We are constantly looking at how to re-engineer manufacturing processes and our value chain towards building more efficient, faster, lighter and greener yachts. A brief description of some of the initiatives we have undertaken is presented below.

<p>Material substitution:</p> <ul style="list-style-type: none"> • Replacing some fibreglass with carbon fibre. The latter uses less materials overall and makes yachts lighter and more durable. Lighter yachts move faster and consume less fuel (reducing energy and fuel consumed). • Substituting synthetic boat building materials in place of teak (no varnishing is required for the former while providing more construction flexibility and fitting).
<p>Innovative Design and Build:</p> <ul style="list-style-type: none"> • The use of sandwiched cored hulls (as opposed to solid laminate hulls), which alternates light, strong materials with layers of fibreglass, has resulted in lighter, stronger boats.
<p>Engine Replacements:</p> <ul style="list-style-type: none"> • Replacing conventional Straight Shaft inboard engines with Pod Drive engines, which are quieter, vibrate less and are 10%-30% more fuel-efficient.
<p>Standardisation Initiatives:</p> <ul style="list-style-type: none"> • Uniformity in components used across various yacht models simplify production, increase manufacturing efficiency and reduce costs.
<p>Innovative Resin Infusion Process:</p> <ul style="list-style-type: none"> • Our unique approach has reduced resin use and allowed for a safer process to the wellbeing of employees. We can also better control styrene emission to safeguard the atmosphere and environment.

Carbon Emissions

Our carbon emissions stem from our consumption of electricity and fuel.

We use the globally recognised GHG Protocol guidelines to measure and disclose carbon emissions. Currently, we report Scope-1 and Scope-2 emissions that refer to fuel consumption and purchased electricity, respectively.

We continually seek to improve the fuel and energy efficiency of our operations to reduce our carbon emissions.

Solar Power

Grand Banks remains supportive of utilising solar power and other renewable energy sources as alternatives to purchasing electricity and fuel. Solar power and renewable energy have already been incorporated into some of our yachts.

For example, the Grand Banks 60 comes with a solar-energised electrical system, which enables batteries to be charged by a pair of 300-watt solar panels on the hardtop’s roof. This keeps on-board refrigeration operable without reliance on onshore power or generator set power.

SUSTAINABILITY REPORT

2020

We continue to explore the possibilities of introducing solar power capability on more of our yacht models if required by customers.

Waste

In FY2020, our production facilities and servicing operations generated 21.4 tonnes of hazardous and 1,413 tonnes non-hazardous waste. Our hazardous waste includes spent lubricant oil, solvents, catalysts, dust filter, uncured resin and gum waste. Non-hazardous waste includes wood, paper, plastic, bottles and cans.

All hazardous waste is treated before disposal or by licensed third party waste management contractors whom we engage for safe disposal. The contractors collect, treat and dispose of the waste according to compliance standards set by the local regulations.

Case Study

We have installed water coolers and dispensers in various places in the Malaysia facility. This has reduced plastic water bottle waste and it also promotes a healthier lifestyle.

Acetone Recovery

Our Malaysian facility continues to recycle up to 70% of acetone as a solvent to clean equipment used to fabricate fibreglass reinforced plastic products. The programme saves nearly \$4,000 by reducing the need for new acetone by 5.4 tonnes.

Water Consumption

Grand Banks consumption of water is limited to drinking, product testing and industrial washing. However, we continue to advocate water conservation across our operations, through internal campaigns and programmes.

A practical example of our water-saving approach is evident in the testing pool at our Malaysian facility where water is reused. As a result, we save an average of 100 gallons of water per boat.

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. We have also created several green spaces populated by over 100 trees and plants.

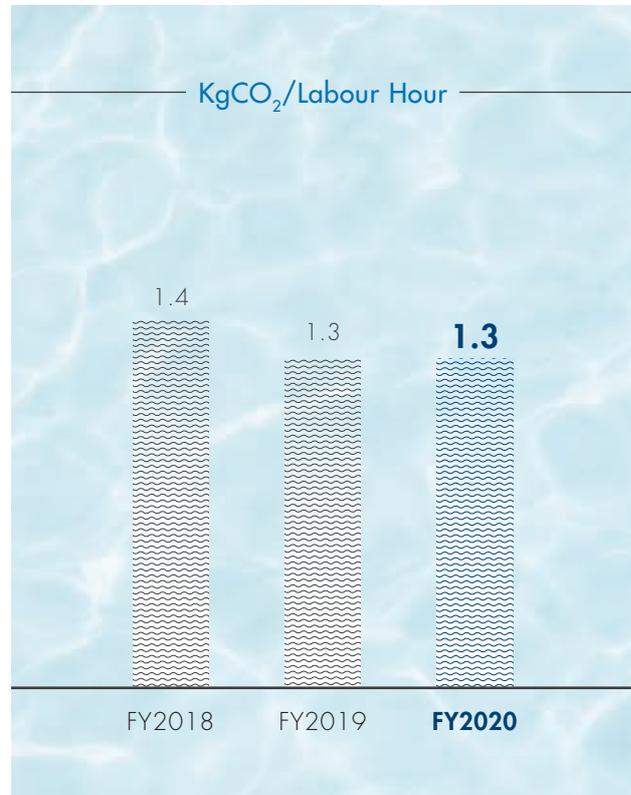
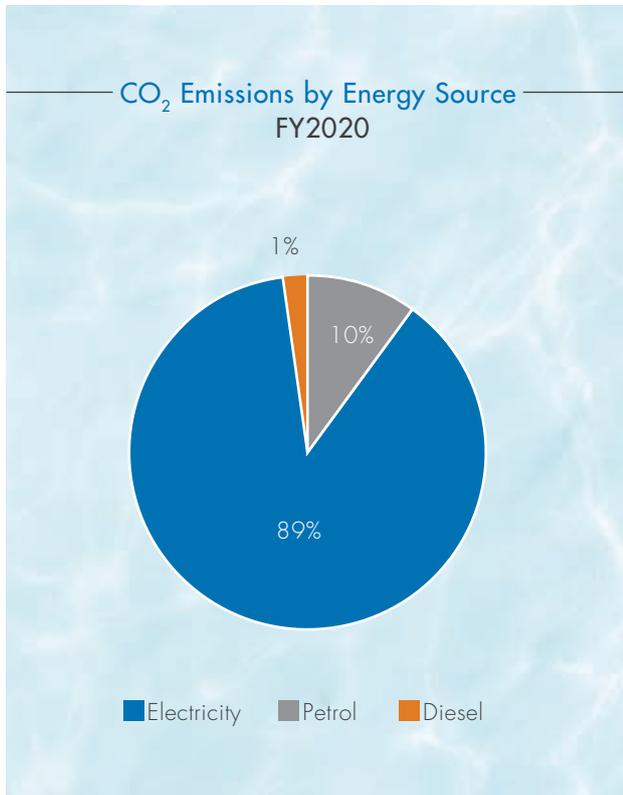
Environmental Compliance

We remain committed to complying with applicable environmental regulations. There were no incidents of non-compliance with environmental laws or regulations in the reported period.

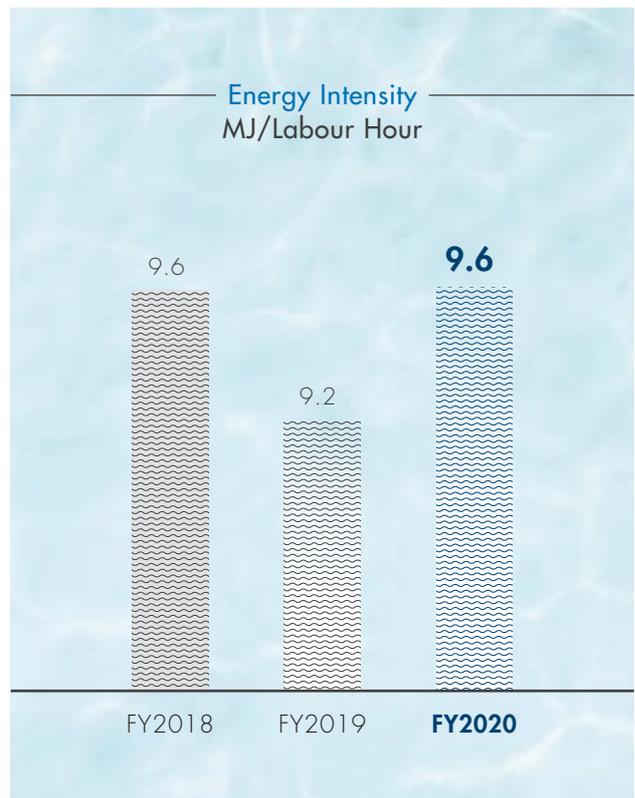
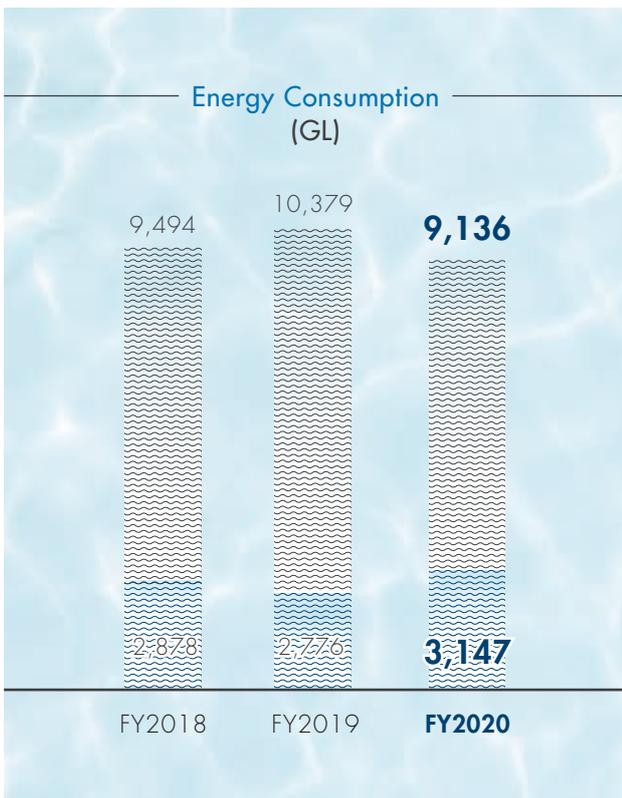
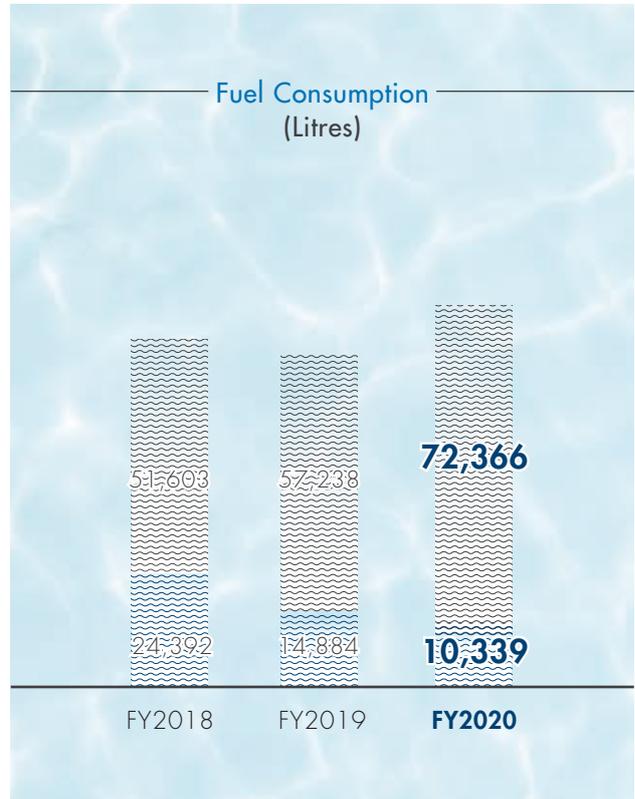
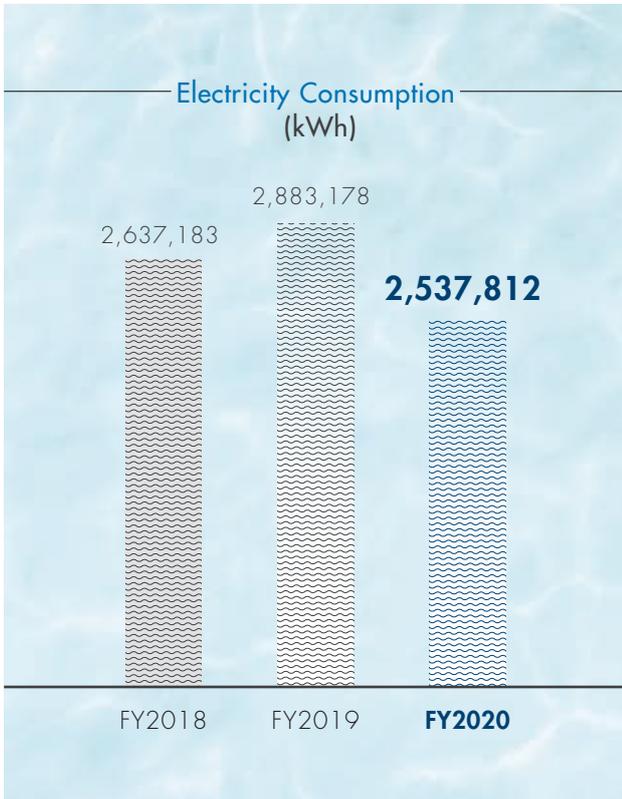
SUSTAINABILITY REPORT 2020

ENVIRONMENTAL PERFORMANCE

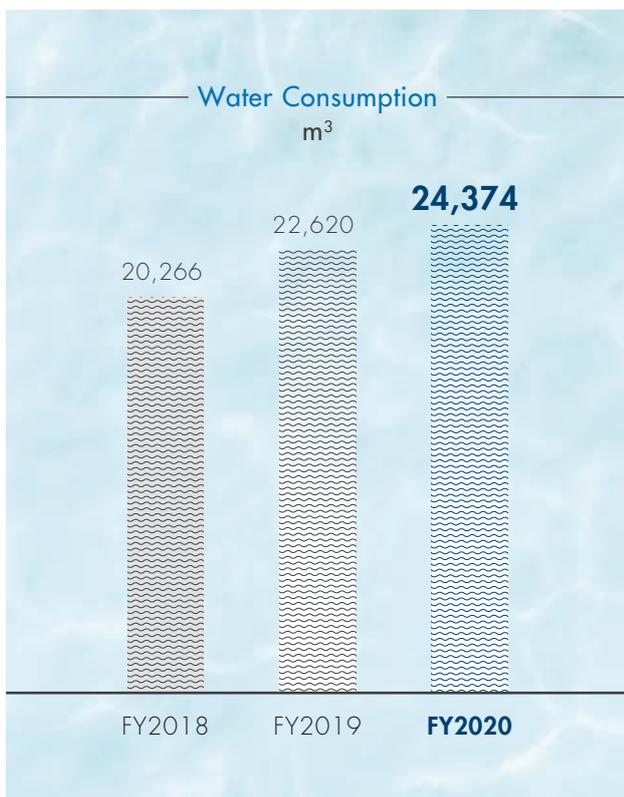
Carbon Emissions Summary			
	tCO ₂		
	FY2018	FY2019	FY2020
Direct (Scope 1) GHG emissions			
Stationary Combustion	138	134	178
Mobile Combustion	57	54	39
Total Scope 1 GHG emissions	195	188	217
Energy indirect (Scope 2) GHG emissions			
Purchased Electricity	1,579	1,726	1,515
Total Carbon Emissions (tCO₂)	1,774	1,913	1,733



SUSTAINABILITY REPORT 2020



SUSTAINABILITY REPORT 2020



SUSTAINABILITY REPORT

2020

USA Environmental Data		
Topic	FY2019	FY2020
Electricity (kWh)	566,667	528,889
Total Energy* (GJ)	2,143	1,992
Carbon Emissions (tCO ₂)	277	258
Non-hazardous Waste (t)	560	560
Hazardous Waste (t)	1.14	1.14
Water (m ³)	4,077	4,757

*Energy includes electricity, diesel and petrol consumption

People

We are committed to building a high performing work culture rooted in inclusivity, mutual respect and continual personal development.

Our employees are our most important asset. Their skills, experience, motivation and satisfaction are material to our performance and success. Our ability to design, construct and deliver high-quality yachts to customers depends on the collective contribution of our employees.

We continue to invest in developing our people's technical skills and knowledge, while also focussing on employees' career growth and foster an inclusive culture. We also provide comprehensive benefits and welfare and constantly work toward ensuring employee safety and wellbeing.

Our human resource policies promote diversity, inclusivity, talent attraction, retention and development, human rights and a safe and healthy work environment.

Our People

In FY2020, Grand Banks had 737 employees across all of its operations comprising 734 permanent employees and three part-time staff. Permanent employees formed 99% of our workforce. Of the total manpower, 85% were direct employees which refer to production workers. We did not have any temporary workers.

COVID-19 and the Wellbeing of Our People

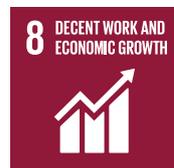
The COVID-19 pandemic disrupted our operations as respective governments implemented lockdown measures and restricted movement of people. For us, the wellbeing and safety of our people became an urgent priority for us. Working with local government agencies, we implemented a series of safe management measures in our production facilities as well as in our offices.

Some of the steps we implemented included the following:

- Designating Safe Management Officers to oversee the safety measures
- Introduced Safe Entry measures requiring all employees and visitors to Check-in and Check-out when entering and leaving the office premises
- Requiring each employee to wear a face mask at all times in the office

Material Factors

- Employment
- Employee Turnover
- Occupational Health and Safety



SUSTAINABILITY REPORT

2020

- Requiring unwell employees to see a doctor and stay at home
- Twice a day temperature taking by all employees
- Asking employees to complete a health/travel declaration form on the first day of work at the office each week
- Maintaining at least one-metre distance from each other at all times in the office
- Restricting the number of persons in the conference room to two people at any one time
- Restricting the entry of visitors into the office area except for necessary maintenance
- Requiring all visitors to complete a health/travel declaration form
- Frequent sanitising of high-touched areas, e.g. the photocopier
- Enhanced measures for cleaning and general hygiene
- Physical distancing measures in the canteen area

Work from Home

As several of our colleagues continued to work from home in the pandemic period, we reimbursed eligible employees' expenses on printer toner and any excess home broadband data usage during the lockdowns.

Diversity and Inclusion

We are committed to fostering an inclusive workplace where everyone is valued and respected. We are a global multicultural team that celebrates the diversity of talents and backgrounds. We are pleased to share the multi-national background of our workforce with employees hailing from eight countries. We are an equal opportunity employer and aim to support the growth and development of all employees.

We serve an international marketplace where our customers come from a diverse background. Our rich cultural diversity at the management and the Board level helps us better understand and meet their expectations and preferences.

Gender diversity remains a challenge for us, owing to the labour-intensive nature of yacht design and building. Yacht manufacture involves carpentry, varnishing, painting, metalwork, fibreglass work, plumbing, electrical, mechanical and engineering tasks. These have been traditionally male roles and are generally not preferred by women in Asian countries.

While we have fewer women in manufacturing functions, the proportion of women in office-based work as well as in management is more equitable. At present, women make up 29% of staff employed in office-based jobs.

Long Service Awards

We take pride in sharing that we have a significant number of colleagues with long tenures serving the Group. We continue to recognise, appreciate and reward long-term employees. We have instituted Long Service Awards to celebrate our long-standing employees' commitment and service to the Group.

In FY2020, plaques and cheques were given out to employees with the following length of services:

- **5th year:** 10 employees
- **15th year:** 14 employees
- **20th year:** 10 employees
- **25th year:** 21 employees
- **30th year:** 1 employee
- **35th year:** 1 employee
- **50th year:** 1 employee

At our production facilities, the average employee service length is 8.5 years.

SUSTAINABILITY REPORT

2020

Human Rights

At Grand Banks, we recognise our responsibility to respect, protect and uphold human rights standards across our company, operations and supply chain.

Our human rights policies prohibit child labour, forced labour, harassment and discrimination. Our employees have the right to freedom of association and collective bargaining in accordance with local laws.

In our assessment, there is a very low risk of violations of our human right policies covering child labour, forced labour and freedom of association in our own operations. To minimise these risks in our supply chain, we continuously engage with our key suppliers through a periodic supplier sustainability assessment.

There were no incidents of human rights violations within Grand Banks during the reported period.

New Hiring and Turnover

During the financial year, the Company across its operations hired 128 new employees. New hires included 18 women. Malaysia accounted for 95% of the new hires.

Facing the challenging market outlook caused by the COVID-19 pandemic, we had to make an unfortunate decision to reduce our headcount by 100 in Malaysia and by 14 in Australia as part of the larger cost-containment exercise.

In FY2020, the employee turnover rate was 28.4%. During the year, 215 people left employment that included 28 female employees. The turnover rate is higher than the previous financial year owing to separations resulting from the manpower rationalisation.

EMPLOYEE TURNOVER BY COUNTRY			
Country	Male	Female	Overall
Malaysia	27.3%	36.5%	28.3%
Australia	46.6%	22.2%	44.6%
Singapore	0.0%	0.0%	0.0%
USA	9.1%	0.0%	7.4%

TARGET AND PERFORMANCE			
Material Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Employee turnover	Less than 20%	28.4%	Less than 20%

SUSTAINABILITY REPORT

2020

Training

Ongoing learning and development are critical elements of our commitment to ensure that our employees are equipped with the necessary skills and knowledge. We need to ensure our people acquire and upgrade their skills in line with changing technologies and other trends that are reshaping our industry.

We provide regular training and development opportunities to our staff that include on-the-job training and mentoring as well as external training.

Average training hours per male and female employee in FY2020 were 2.6 and 2.9 hours respectively, lower than the prior year's figures of 4.2 and 3.0 hours. In total, employees received 2,248 hours of training in FY2020 as against 3,178 hours of training in the preceding financial year. The training hours were lower than the previous year due to the disruptions caused by the COVID-19 pandemic.

In FY2020, we spent \$26,992 on staff training and development, compared with \$50,084 in the previous year.

Training Topics

Our employees attended the following training courses, seminars and conferences during FY2020:

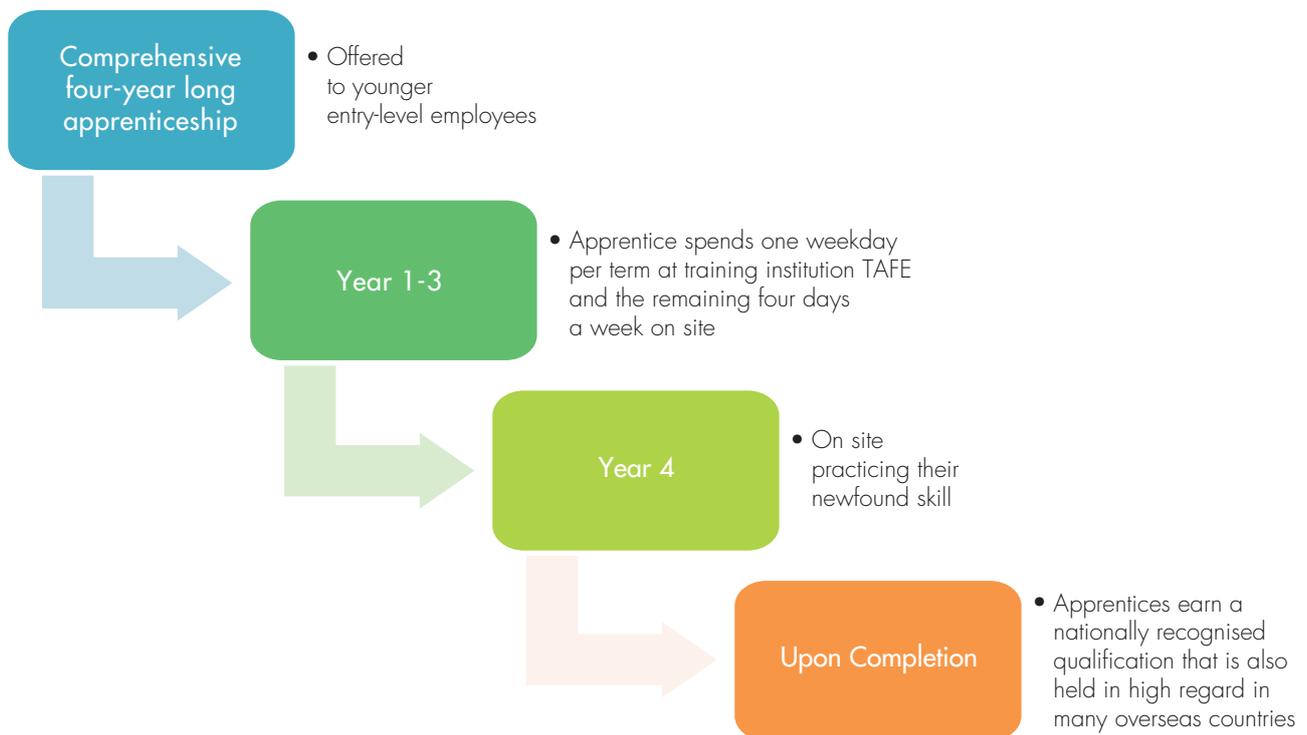
- Air pollution control
- Supply Chain Management
- OSH CALIPHS Committee Program
- Certified Environmental Professional In Bag Filter Operation (CePBFO)
- Hazardous Chemical Handling Training
- Scheduled Waste Management (CePSWaM) Technical Report Preparation
- Hazard Identification, Risk Assessment And Risk Control (HIRARC)
- Forklift Safety
- MyMaxTrax Web Based Safety Training
- Electrical Test & Tagging Day Course
- Accounting standards and practices
- Professional Development Workshop
- Singapore Budget
- Accounting (MYOB) training
- Stormwater and Hazardous Waste
- Use of Personal Protective Equipment (PPE)
- Salesforce Training
- Electrical Test & Tag Course

SUSTAINABILITY REPORT 2020

Apprenticeship

Our apprenticeship programme helps develop local talent and to nurture high-potential candidates who may be absorbed into Grand Banks in the future.

Example Apprenticeship Model at Grand Banks Owned Palm Beach Motor Yacht (Australia)



Apprentices' wages are increased annually in accordance with Australia's modern award rules and their increasing experience and expertise. As at end of FY2020, we had five apprentices working in our Palm Beach Motor Yacht facility.

Performance Management

Our performance appraisal policy covers all Grand Banks employees who participate in an annual assessment. All evaluations are conducted fairly and objectively. The performance assessment outcome is used to recognise high performers as well as to determine personal development needs of employees.

Employee Engagement

We believe that an engaged workforce is essential for achieving our business goals. Employee engagement continues to be a key element of our overall talent management.

Our engagement approach involves encouraging open communication between staff and management. We value feedback and suggestion received from our employees. We communicate with our employees in a variety of ways including quarterly CEO townhalls, briefings, internal memos and the corporate newsletter, as well as more casual communication via the notice board and team activities.

SUSTAINABILITY REPORT

2020

Occupational Health and Safety

Employee safety remains a critical priority for Grand Banks. We are committed to ensuring workplace safety particularly in our factories.

We have implemented an occupational health and safety system to nurture a safety culture across the organisation. We continue to emphasise the need for a safe workplace by adhering to safety practices and processes.

Safety Committee

We have established a Health and Safety Committee that comprises management and workers representatives. The Committee is responsible for addressing health and safety concerns proactively by constantly reviewing safety performance and assessing the measures in place.

Safety Measures

Grand Banks staff are provided with a wide range of PPE while working within our facilities. These include full-face respiratory masks, half-face respiratory masks, safety shoes, safety helmets and safety goggles.

We continue to educate and empower our staff through ongoing health and safety training. Training is primarily centred on the use of personal protective equipment ("PPE") and the use of safety devices that are attached to relevant equipment, as well as how to respond in the event of emergencies.

Fire and emergency drills are carried out at our business premises periodically. Drills are carried out by our trained fire squad and 12 certified first aiders at our production facilities. We have also set-up a well-equipped first aid room. In addition to these, Grand Banks has employed a medical assistant who is stationed full time at our Malaysia production facility.

Our workplace hazards include toxins stemming from chemicals used in the manufacturing process such as solvents and paints, which at concentrated levels can cause skin irritation or respiratory problems. We constantly monitor air quality through an atmospheric monitoring system.

Other identified hazards in our manufacturing environment include noise and dust from the woodwork, the risk of workers' limbs being caught in moving parts of a machine, cuts from the sharp cutting edges of sawing machines, electrical shocks, trips, falls and fire.

To minimise these, machines are fitted with the appropriate safety guards while all employees are required to adhere to our Lock-Out-Tag-Out procedures.

Our sanding machines have dust extraction system to keep the environment cleaner and safer. 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.

Injuries

We are pleased to report that during FY2020, there were zero fatalities, no serious injuries. There were no cases of occupational disease among our staff in our production facility in Australia.

Our policy is to thoroughly investigate each incident of injury to determine the root causes and to take preventive measures. The procedure requires injury reports to be filed.

SUSTAINABILITY REPORT 2020

Our health and safety performance indicators for male employees are provided below:

MALAYSIA								
Year	Injury Rate		Accident Frequency Rate		Occupational Disease Rate		No. of Fatalities	
	Male	Female	Male	Female	Male	Female	Male	Female
FY2018	2,923	0	16.0	0	0	0	0	0
FY2019	2,909	0	11.0	0	0	0	0	0
FY2020	2,721	136	11.0	1	1,361	0	0	0

AUSTRALIA								
Year	Injury Rate		Accident Frequency Rate		Occupational Disease Rate		No. of Fatalities	
	Male	Female	Male	Female	Male	Female	Male	Female
FY2018	12,857	0	97.0	0	0	0	0	0
FY2019	18,310	0	105.0	0	0	0	0	0
FY2020	14,706	0	20.0	0	0	0	0	0

Notes:

Workplace Injury Rate = (No. of fatal and non-fatal workplace injuries)/(No. of employees) x 100,000

Accident Frequency Rate = (No. of workplace accidents reported)/(No. of man hours worked) x 1,000,000

Occupational Disease Incidence Rate = (No. of occupational disease cases)/(No. of employees) x 100,000

TARGET AND PERFORMANCE			
Material Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Occupational Health & Safety	Maintain zero fatality across the organisation	Zero	Maintain zero fatality across the organisation
	Maintain zero occupational disease across the organisation	Zero	Maintain zero occupational disease across the organisation
	Maintain a zero Accident Frequency Rate (AFR) in our factories	Malaysia: Male (1.0), Female (0) Australia: Male (20.0), Female (0)	Maintain a zero Accident Frequency Rate (AFR) in our factories

Employee Welfare

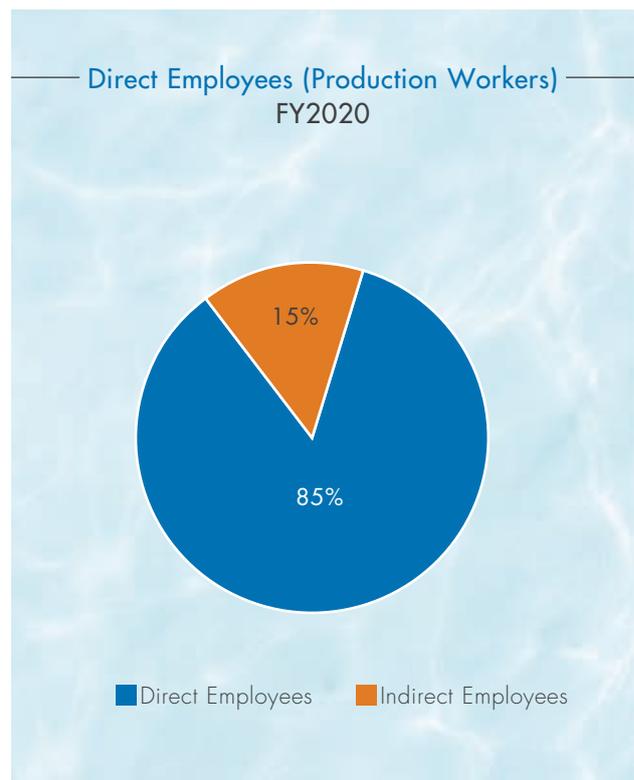
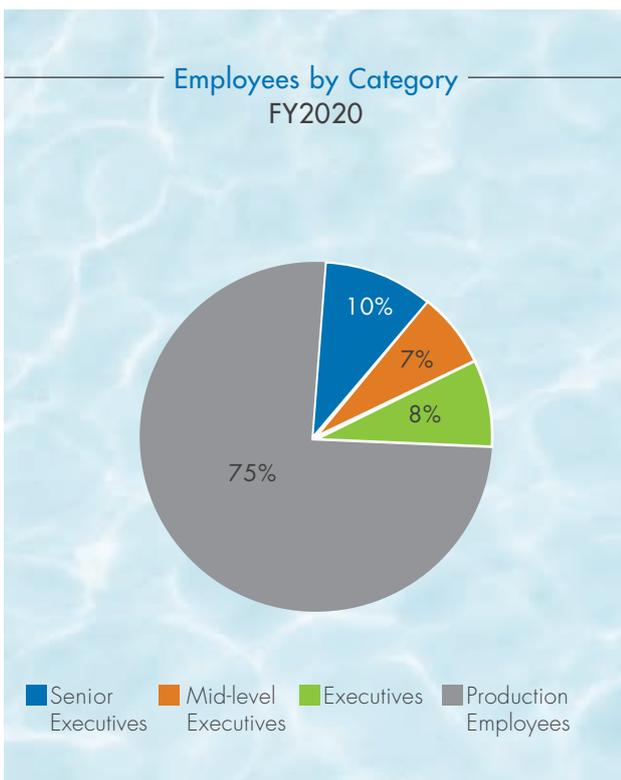
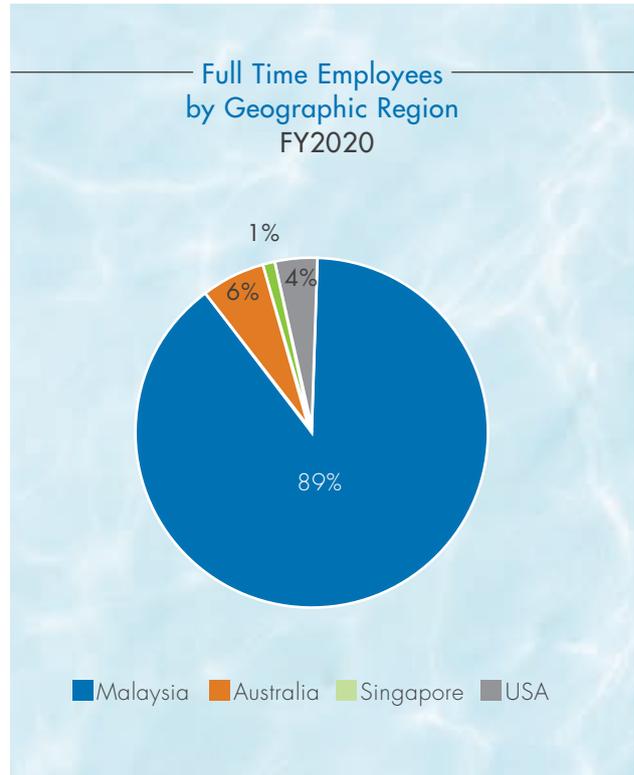
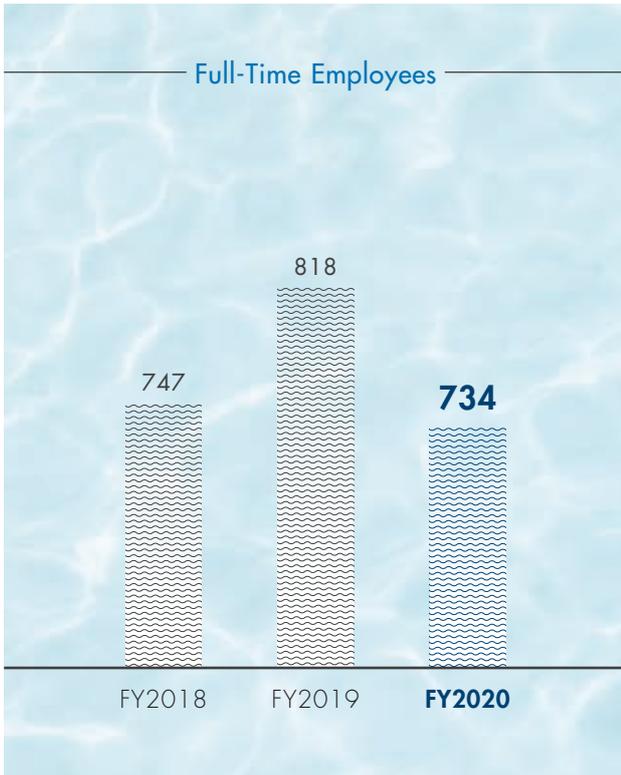
The wellbeing of our staff is paramount to the Company. We continue to provide a wide range of benefits to employees which include healthcare benefits, various types of leave including parental leave and other forms of perks. Some benefits are also extended to an employee's family members.

To promote team bonding and work-life balance, we regularly organise fun activities for staff. These include sports, family days, festive gatherings, and more. Employees receive gifts on these occasions as well as on their birthdays.

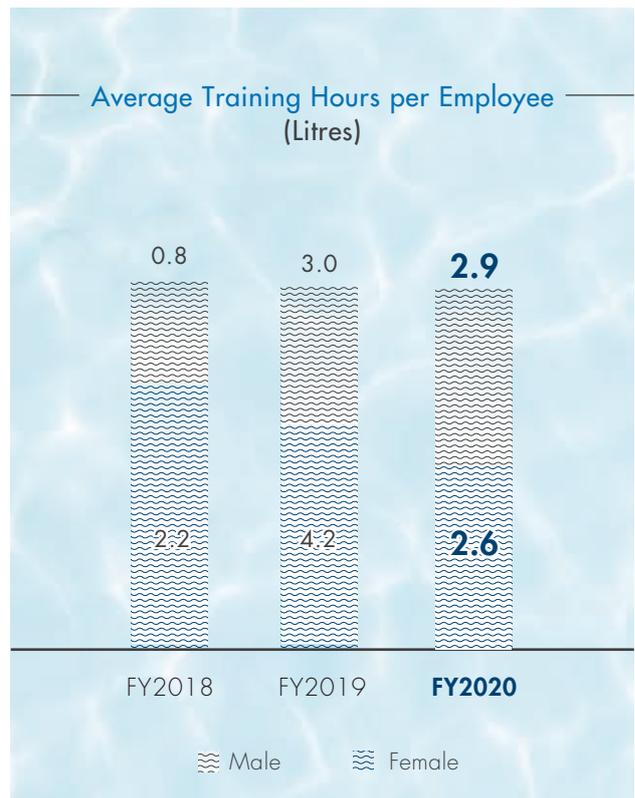
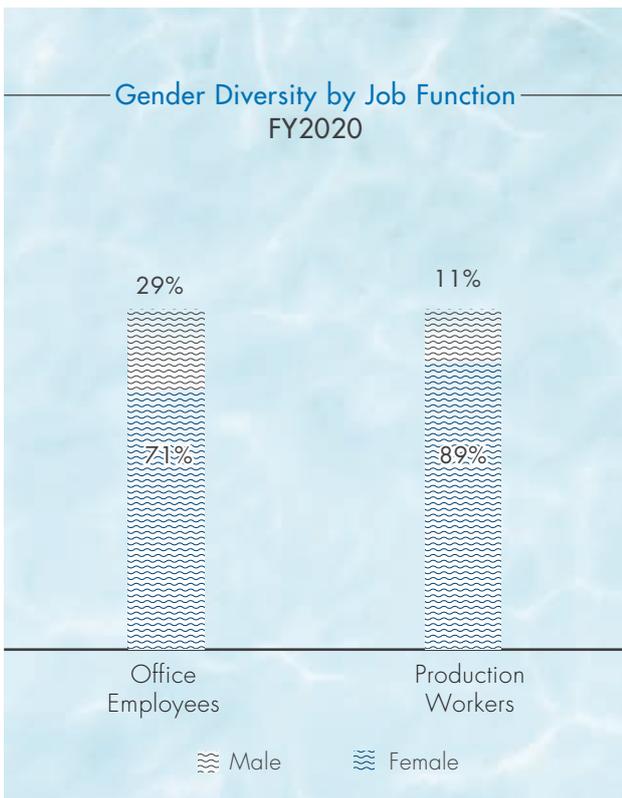
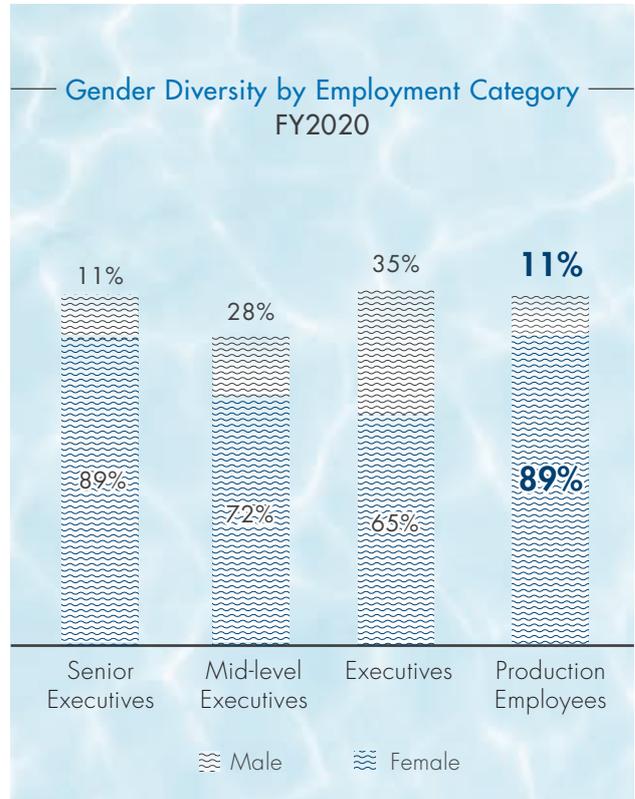
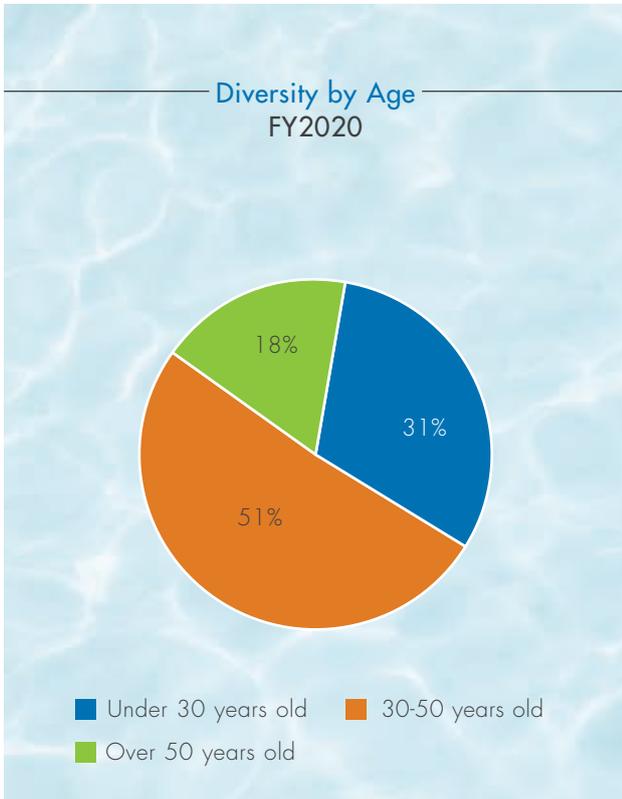
New employees are welcomed with an orientation meal. We also organise a rice distribution quarterly and a quarterly appreciation lunch.

SUSTAINABILITY REPORT 2020

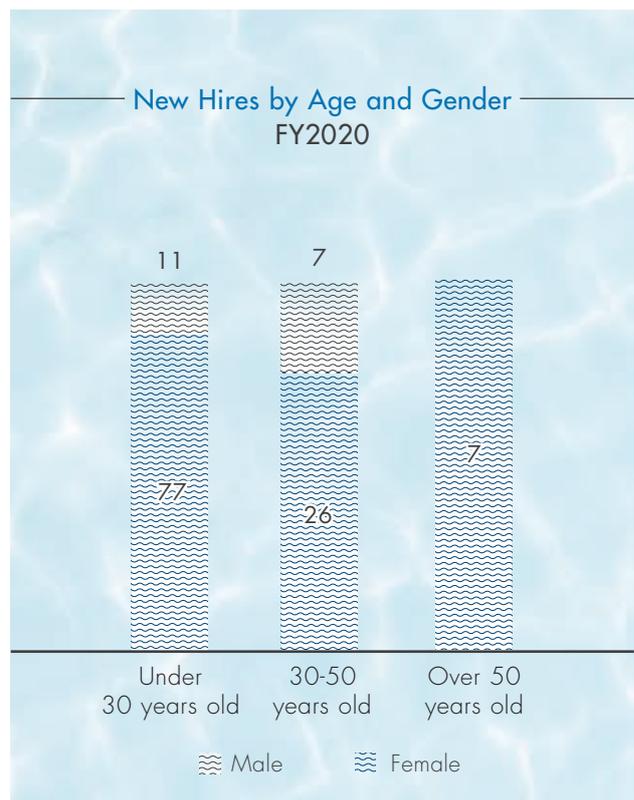
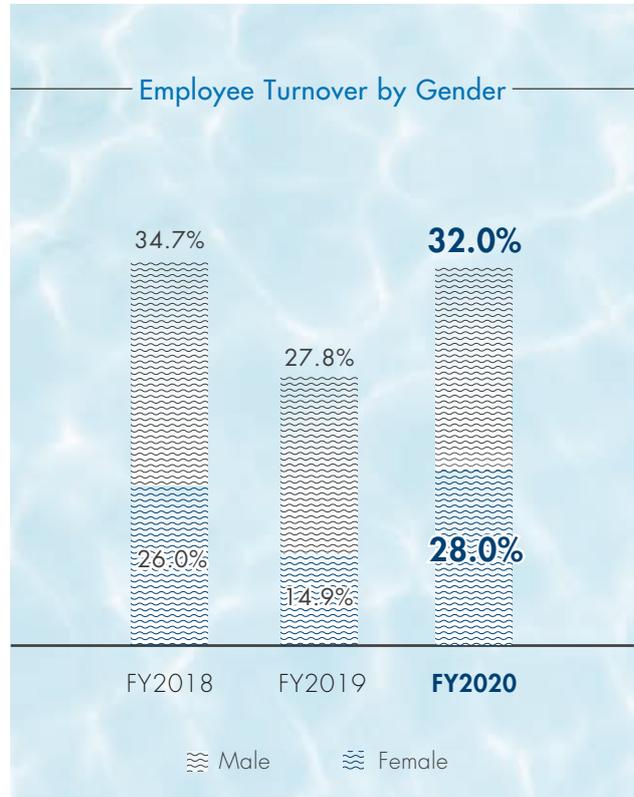
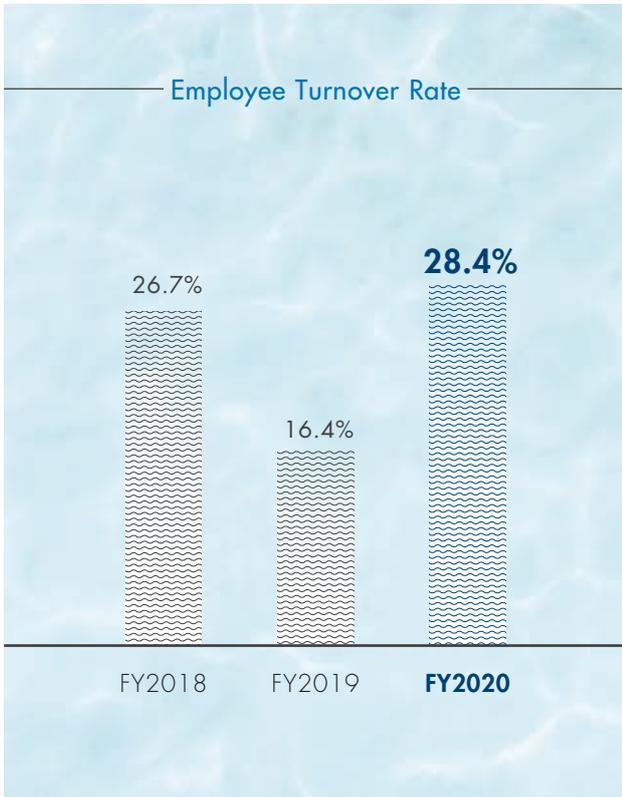
OUR WORKPLACE PERFORMANCE



SUSTAINABILITY REPORT 2020



SUSTAINABILITY REPORT 2020



SUSTAINABILITY REPORT 2020

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.

We are committed to the highest level of ethics, integrity and professional standards throughout our operations.

Grand Banks is a customer-centric brand obsessed with delivering products of the highest quality and providing dedicated customer service.

Building trusted and long-lasting relationships with our customers, partners and suppliers remains an essential part of our business model.

New Products

In FY2020, we launched two new models – the GT60 and GB54.

Debuted in 2019, the new GB54 is long-range cruising yacht. The GB54 incorporates high-tech construction, weight reduction, additional strength and a unique slippery hull design that maximizes efficiency throughout the speed curve all create a long-distance cruiser.

Launched in early 2020, the new GT60 is one of the most fuel-efficient high-speed cruisers. We set out to build GT60 with the vision to build the fastest and most fuel efficient luxury motor yachts in the world. The GT60 have been constructed with a high-tech vacuum-infused carbon fiber deck and structure that provides double the strength of E-glass but at half the weight. The main structure of the bulkheads is made from a closed-cell foam core using a high-tech method that reduces weight while enhancing durability of the vessel.

Product Quality

We are passionate about ensuring the excellent quality of our yachts. Our yachts boast some of the best performances in the luxury motor yacht world. Our decades of experience means impeccable construction that makes efficiency a priority. We combine supreme quality with beautiful, spacious interiors to ensure comfort for long-range cruising in all seas. Our yachts are fitted with the most dependable engines and equipment. We constantly embrace technological innovations and state-of-the-art material in building our yachts.

Over the years, we have earned a wide range of international quality certifications, a testament to our commitment to high standards. Owners can be assured that each vessel is superbly designed and built in accordance with the high standards set by industry-leading certification bodies.

Our boats have met the quality specifications for accreditation bodies in the US as well as the EU. This is a clear indicator of the world-class quality of our design and build, which has been well received by customers across these regions.

In addition to the above, we are working towards obtaining certification from NMMA and CE Mark for GB54, GB60, GB85 and GT60 models.

New Robot Facility

We recently completed the revamp of our New CNC Robot Facility that will enhance productivity and production capacity and will streamline the flow of production in the factory. With a second robot installed, the robots can now pump out a larger number of parts in less time.

Material Factors

- Customer Health and Safety
- Anti-corruption
- Socio-economic Compliance



SUSTAINABILITY REPORT

2020

The original robot milling department area of the factory has now moved to a new larger location to both allow the two robots to access larger and/or multiple parts simultaneously, and to improve the factory flow of the production line.

Grand Banks' use of a robotic 8-axis mill was given the award for Innovation in a Production Process at the 2019 Boat Builder Awards at the National Maritime Museum in Amsterdam.

Customer Service

Our exceptional customer service complements our superior product quality.

Since the acquisition of Florida based, Stuart Yacht Corporation, our service capabilities have been enhanced, particularly in supporting customers along US East Coast. In addition to service, support and repair, Stuart Yacht also serves 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
- Topcoat painting, varnishing, gel-coat and fibreglass repair
- Engine and generator services/repair
- Running gear services/repair
- Marine systems and electronics
- Stabiliser and thruster services/repair
- Mechanical and electrical services/repair
- Mobile dockside service

Our customers from other regions can also rest assured that they have access to an extensive, global preferred service centre network around the world for maintenance and repairs.

Each network member is well-equipped to service and repair Grand Banks yachts. They, in turn, are supported by full-time Grand Banks service personnel in the U.S. and continue to receive regular training at our factories in Malaysia and Australia. This ensures that they are constantly kept abreast with the latest service and repair requirements.

Helping Customers Sell Their Pre-Owned Yachts

We also help customers to sell their pre-owned yachts. Grand Banks Yacht Sales is a dedicated platform for customers who wishes to sell or trade-in their pre-owned yachts for another model or to order to build a new one.

Our service provides customers with the assurance that their pre-owned yacht is priced correctly and is sold efficiently as and when required.

Engaging Customers

We regularly engage our customers to better understand their requirements and preferences while developing brand awareness and appeal and cementing long-term relationships.

We continue to host highly successful customer events. These include owners' rendezvous events.

These weekend-long sojourns are informal customer get-togethers where attendees are treated to a wide range of marine-based events and activities.

SUSTAINABILITY REPORT

2020

Yacht Shows

We continued to take part in various yacht shows to showcase our various boat models. In addition to showcasing our boats, we support the industry in promoting yachting as a leisure pursuit or lifestyle.

A number of boat shows have been cancelled due to the COVID-19 pandemic, reducing the number of shows we participated in the reported period.

In FY2020, Grand Banks participated in the following yacht shows:

- Sydney International Boat Show (Australia) Aug 2019
- Newport International Boat Show (USA) Sep 2019
- Norwalk Boat Show (USA) Sep 2019
- Cannes Yachting Festival (France) Sep 2019
- Auckland on Water Boat Show (New Zealand) Oct 2019
- Naples Boat Show (USA) Oct 2019
- Fort Lauderdale International Boat Show (USA) Oct/Nov 2019
- Dusseldorf Boat Show (Germany) Jan 2020
- Stuart Boat Show (USA) Jan 2020
- Miami International Boat Show (USA) Feb 2020

Anti-corruption

We hold ourselves to the highest ethical standards and norms of governance. Our anti-corruption policy bars offering or receiving bribes or kickbacks in any form. All employees, including the Board members, are required to strictly comply with our ethics policy in all their dealings and transactions.

The Company does not allow the provision or acceptance of bribes or kickbacks in any forms, be it monetary or non-monetary.

Our ongoing target is to maintain zero incidents of corruption. There were no confirmed incidents of corruption during the reported period.

Regulatory Compliance

Grand Banks operates in full compliance with all applicable economic, social and environmental laws. There were no known incidents of significant non-compliance with laws or regulations in the reported period.

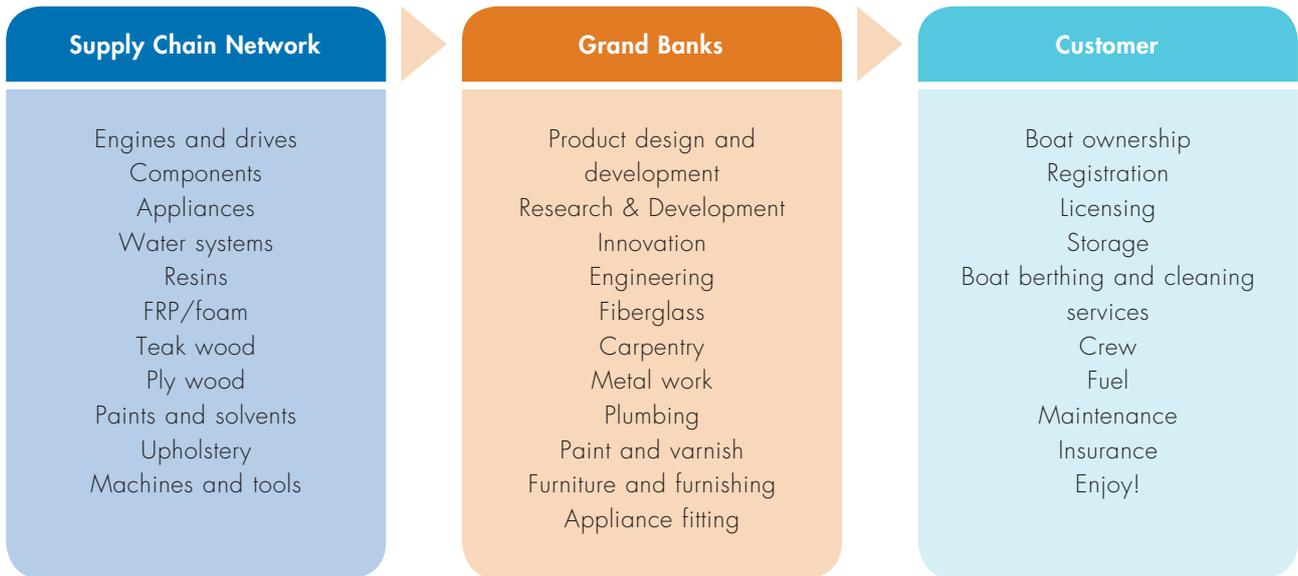
Supply Chain

Grand Banks considers its supply chain as an integral part of its business, given that the level of efficiency and productivity within the supply chain impacts our ability to deliver high-quality products to customers. Issues in our value chain may impact product quality and delivery, potentially disrupting the production process, delays in completion and delivery, cost overruns and other issues.

Our supply chain supplies Grand Banks with the raw materials for the manufacture of our boats. Items supplied 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.

SUSTAINABILITY REPORT 2020

OUR VALUE CHAIN



Sustainable Procurement

Our procurement policy continues to be based on merit and ethics where suppliers are selected based on their ability to provide the optimal value proposition to Grand Banks.

This extends beyond just cost, quality and time parameters, but also the need to adhere to Grand Banks corporate governance policies and for the selected suppliers to showcase a strong track record for good ESG performance.

Suppliers must meet Grand Banks criteria from an EES perspective in order to tender and compete for contracts. We continue to engage our suppliers on a wide range of material sustainability issues. *(Please refer to the Economic Performance chapter for more information about our suppliers).*

In 2020, we engaged the top 15 suppliers by purchase value to assess their sustainability practices through a Supplier Sustainability Self-Assessment Survey. The survey results have provided us with a road map for an ongoing discussion on sustainability issues with our suppliers. The survey findings are presented in the chart below.

SUSTAINABILITY REPORT 2020



SUSTAINABILITY REPORT 2020

ECONOMIC PERFORMANCE

As we measure and make progress in our sustainability journey, we are pleased to share that we continue to achieve robust financial growth and progress. This is clearly reflected in our fiscal indicators for FY2020 and across the three-year period.

Positive financial performance is a key requirement for many of our stakeholders including retail and institutional investors, employees, local communities and others. It is also a validation of the effectiveness of the Group's overall business strategies as we pursue a triple bottom line approach in managing our results and performance.

Detailed disclosure of our financial performance is provided in the financial section of this combined annual report. Following is a snapshot of the direct economic value generated.

SUMMARY OF OUR ECONOMIC PERFORMANCE

Financial Year

Economic performance indicators	FY2018	FY2019	FY2020
Operating revenue (\$m)	82.0	79.6	103.2
Net profit (\$m)	8.9	1.5	1.1
Total operating expenses (\$m)	15.3	14.4	16.7
Employee wages and benefits (\$m)	26.9	28.8	28.8
Tax credit (\$m)	3.7	0.3	0.2
Dividends declared to shareholders (\$m)	0.9	None	None

TARGET AND PERFORMANCE

Material Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Economic Performance	Maintain long-term sustainable growth of business with consistent financial performance	Please refer to the Financial Statement from pages 63 to 64	Maintain long-term sustainable growth of business with consistent financial performance
Socio-economic Compliance	Maintain zero non-compliance	Zero incidents	Maintain zero non-compliance

Material Factors

- Consistent financial performance
- Socio-economic Compliance



SUSTAINABILITY REPORT 2020

Indirect Economic Impacts

Grand Banks continues to make a positive contribution via indirect economic impacts. This includes the creation of a wide range of technical jobs, which also consist of high-paying jobs.

By establishing operations in Malaysia and Australia, we have helped to transfer unique knowledge and skills to local communities in the niched industry of yacht designing and building.

In FY2020, we contributed \$1,618,511 in employee statutory contributions as well as retirement/pension contributions.

Local Suppliers

We buy from local suppliers as much as feasible and practical. In FY2020, local vendors accounted for 57.7% of our total purchases.

Community

Grand Banks strives to be a responsible corporate citizen by strengthening local communities where we operate.

Our approach to community support includes:

- Community Giving
- Employee Volunteering
- Community Development

In Malaysia, our manufacturing facility is located in an industrial area and most of our employees are Malaysians. We continue to seek ways to build our relationship with the local communities by focussing on how we may best contribute to their socio-economic development.

Over the reported period, we have made various contributions and lent support in cash or kind to various community-based initiatives.

In Australia, where we also operate a production facility, our activities are more communal in nature. These include supporting educational and health-related activities.

SUSTAINABILITY REPORT

2020

GRI CONTENT INDEX

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core			
GRI Standard	Disclosure	Page Number, URL(s) and/or Reference	
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of the organisation	Front Cover	
	102-2 Activities, brands, products, and services	Inside Front Cover (IFC), 10-12, www.grandbanks.com/about-grand-banks-yachts/ , www.grandbanks.com/models	
	102-3 Location of headquarters	Singapore	
	102-4 Location of operations	IFC	
	102-5 Ownership and legal form	IFC, 125-126	
	102-6 Markets served	www.grandbanks.com/about-grand-banks-yachts/ , www.grandbanks.com/models	
	102-7 Scale of the organisation	IFC, 7, 140-141	
	102-8 Information on employees and other workers	140-141, 163	
	102-9 Supply chain	168-170	
	102-10 Significant changes to the organisation and its supply chain	2-3, 4-5	
	102-11 Precautionary Principle or approach	146, 147, 149	
	102-12 External initiatives	139, 147-148	
	102-13 Membership of associations	145	
	Strategy		
	102-14 Statement from senior decision-maker	4-5	
	102-15 Key impacts, risks, and opportunities	145-147	
	Ethics and Integrity		
	102-16 Values, principles, standards and norms of behaviour	13, 39, 166, 168	
	Governance		
	102-18 Governance structure	13-50	
	102-19 Delegating authority	15, 16, 142	
	102-20 Executive-level responsibility for economic, environmental, and social topics	142	
102-21 Consulting stakeholders on economic, environmental, and social topics	21, 30, 43, 44-45, 143-145		
102-22 Composition of the highest governance body and its committees	16-22		

SUSTAINABILITY REPORT

2020

Global Reporting Initiative (GRI) Content Index

'In accordance' – Core

GRI Standard	Disclosure	Page Number, URL(s) and/or Reference
	102-23 Chair of the highest governance body	21-22
	102-24 Nominating and selecting the highest governance body	22-26
	102-25 Conflicts of interest	13, 22
	102-26 Role of highest governance body in setting purpose, values, and strategy	13
	102-27 Collective knowledge of highest governance body	8-9
	102-28 Evaluating the highest governance body's performance	27
	102-29 Identifying and managing economic, environmental, and social impacts	142
	102-30 Effectiveness of risk management processes	33-34
	102-31 Review of economic, environmental, and social topics	13
	102-32 Highest governance body's role in sustainability reporting	142
	Stakeholder Engagement	
	102-40 List of stakeholder groups	143-145
	102-41 Collective bargaining agreements	158
	102-42 Identifying and selecting stakeholders	143-145
	102-43 Approach to stakeholder engagement	143-145
	102-44 Key topics and concerns raised	143-145
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	
	102-46 Defining report content and topic Boundaries	139, 146-147
	102-47 List of material topics	146-147
	102-48 Restatements of information	139
	102-49 Changes in reporting	145
	102-50 Reporting period	139
	102-51 Date of most recent report	Oct 2019
	102-52 Reporting cycle	139
	102-53 Contact point for questions regarding the report	140
	102-54 Claims of reporting in accordance with the GRI Standards	139
	102-55 GRI Content Index	173-179
	102-56 External assurance	140

SUSTAINABILITY REPORT

2020

Global Reporting Initiative (GRI) Content Index

'In accordance' – Core

GRI Standard	Disclosure	Page Number, URL(s) and/or Reference
Economic Performance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146, 171
	103-2 The management approach and its components	146, 171
	103-3 Evaluation of the management approach	171
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	63-64, 171
Indirect Economic Impacts		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147
	103-3 Evaluation of the management approach	147
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	172
Procurement Practices		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147
	103-3 Evaluation of the management approach	147
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	172
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146, 168
	103-2 The management approach and its components	146, 168
	103-3 Evaluation of the management approach	168
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	39
	205-3 Confirmed incidents of corruption and actions taken	168
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146
	103-2 The management approach and its components	146, 149-151
	103-3 Evaluation of the management approach	149-151
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	150, 154
	302-3 Energy intensity	150, 154

SUSTAINABILITY REPORT

2020

Global Reporting Initiative (GRI) Content Index

'In accordance' – Core

GRI Standard	Disclosure	Page Number, URL(s) and/or Reference
Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146, 151, 153
	103-2 The management approach and its components	146, 151, 153
	103-3 Evaluation of the management approach	151, 153
	305-1 Direct (Scope 1) GHG emissions	151, 153
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	151, 153
	305-4 GHG emissions intensity	151, 153
Waste		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146, 152
	103-2 The management approach and its components	146, 152
	103-3 Evaluation of the management approach	152
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	152
	306-2 Management of significant waste-related impacts	152
	306-3 Waste generated	152-155
	306-4 Waste diverted from disposal	152
	306-5 Waste directed to disposal	152
Environmental Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146
	103-2 The management approach and its components	146, 152
	103-3 Evaluation of the management approach	152
GRI 307: Environmental Compliance 2016	GRI 307-1 Non-compliance with environmental laws and regulations	152
Supplier Environmental Assessment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 168-170
	103-3 Evaluation of the management approach	168-170
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	168-170

SUSTAINABILITY REPORT 2020

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	Disclosure	Page Number, URL(s) and/or Reference
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146
	103-2 The management approach and its components	146
	103-3 Evaluation of the management approach	156, 158
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	156, 165
Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146
	103-2 The management approach and its components	146, 161-162
	103-3 Evaluation of the management approach	161-162
GRI 403: Occupational Health and Safety 2018	403-2 Hazard identification, risk assessment, and incident investigation	161-162
	403-4 Worker participation, consultation, and communication on occupational health and safety	161-162
	403-5 Worker training on occupational health and safety	159, 161-162
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	161-162
	403-8 Workers covered by an occupational health and safety management system	161-162
	403-9 Work-related injuries	161-162
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 159
	103-3 Evaluation of the management approach	159
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	159, 164
	404-2 Programs for upgrading employee skills and transition assistance programs	159-160
	404-3 Percentage of employees receiving regular performance and career development reviews	160
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 157
	103-3 Evaluation of the management approach	157, 164
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	164

SUSTAINABILITY REPORT

2020

Global Reporting Initiative (GRI) Content Index

'In accordance' – Core

GRI Standard	Disclosure	Page Number, URL(s) and/or Reference
Non-discrimination		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 158
	103-3 Evaluation of the management approach	158
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	158
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 158
	103-3 Evaluation of the management approach	158
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	158
Child Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 158
	103-3 Evaluation of the management approach	158
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	158
Forced or Compulsory Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 158
	103-3 Evaluation of the management approach	158
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	158
Local Communities		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147
	103-3 Evaluation of the management approach	172
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	172

SUSTAINABILITY REPORT

2020

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core

GRI Standard	Disclosure	Page Number, URL(s) and/or Reference
Supplier Social Assessment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 168-170
	103-3 Evaluation of the management approach	168-170
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	168-170
Customer Health and Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146
	103-2 The management approach and its components	146
	103-3 Evaluation of the management approach	166-167
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	166-167
Socio-economic Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	146-168
	103-2 The management approach and its components	146-168
	103-3 Evaluation of the management approach	168
GRI 419: Socio-economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	168

This page has been intentionally left blank

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

USA CORPORATE HEADQUARTERS

450 SW Salerno Road

Stuart, FL 34997

Phone: +1 (772) 286 9800

RHODE ISLAND DOCK OFFICE

10 Spring Wharf

Newport, RI 02840, USA

Phone: +1 (401) 396 2767

FORT LAUDERDALE, FL SALES OFFICE

850 NE 3rd Street, Suite 210

Dania Beach, FL 33004, USA

Phone: +1 (954) 530 4379

INVESTOR RELATIONS CONTACT

We1 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

Heron Cove Marina

Unit 4,1 Queens Parade West

Newport NSW 2106

Australia

AUDITORS

KPMG LLP

Public Accountants and

Chartered Accountants

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

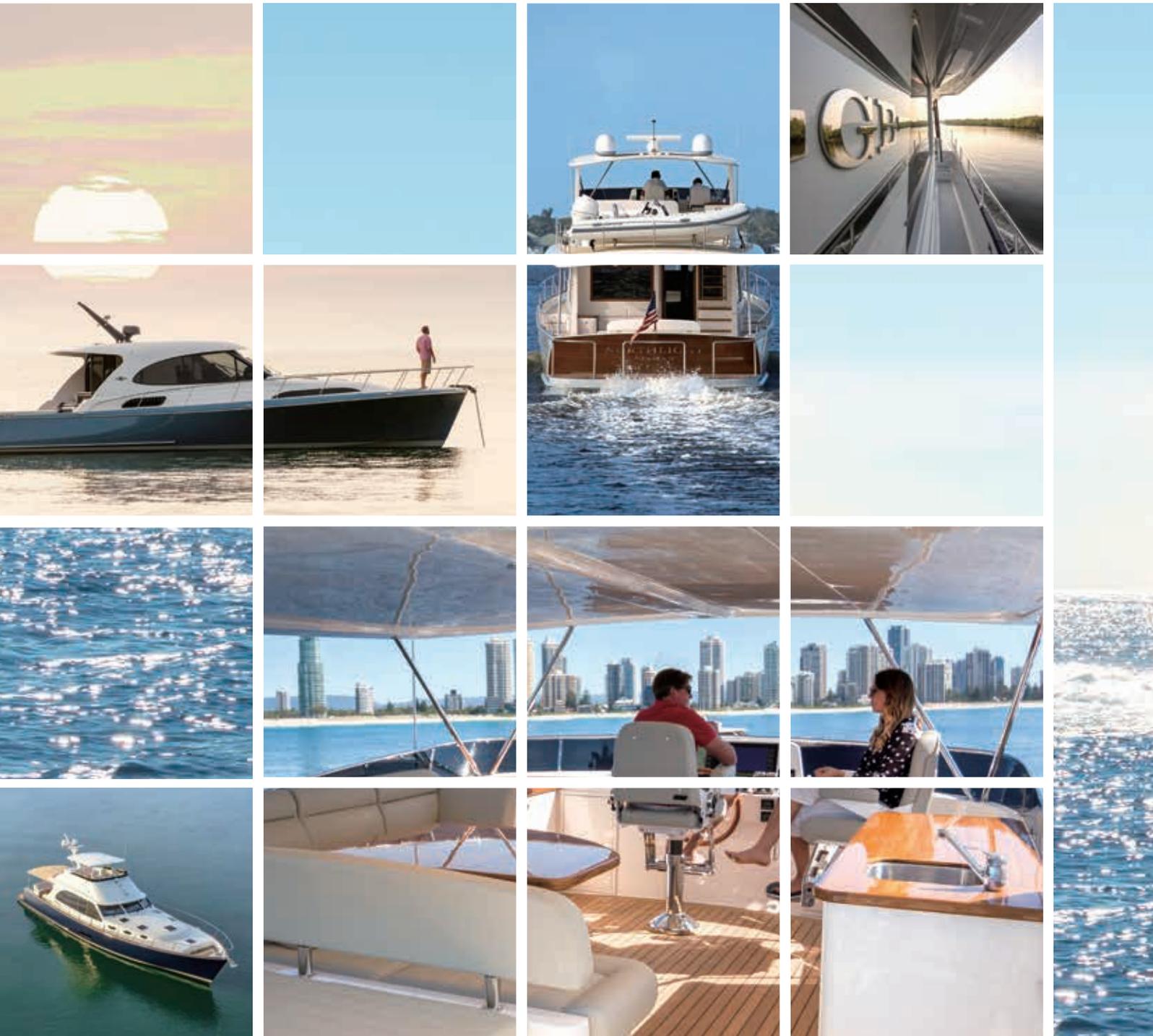
Partner-in-charge:

Ms Ong Chai Yan

Since the financial year ended

30 June 2016

*Denotes Committee Chairman



GRAND BANKS YACHTS

GRAND BANKS YACHTS LIMITED

274 Upper Bukit Timah Road #03-16 Singapore 588213

Company Registration No. 197601189E