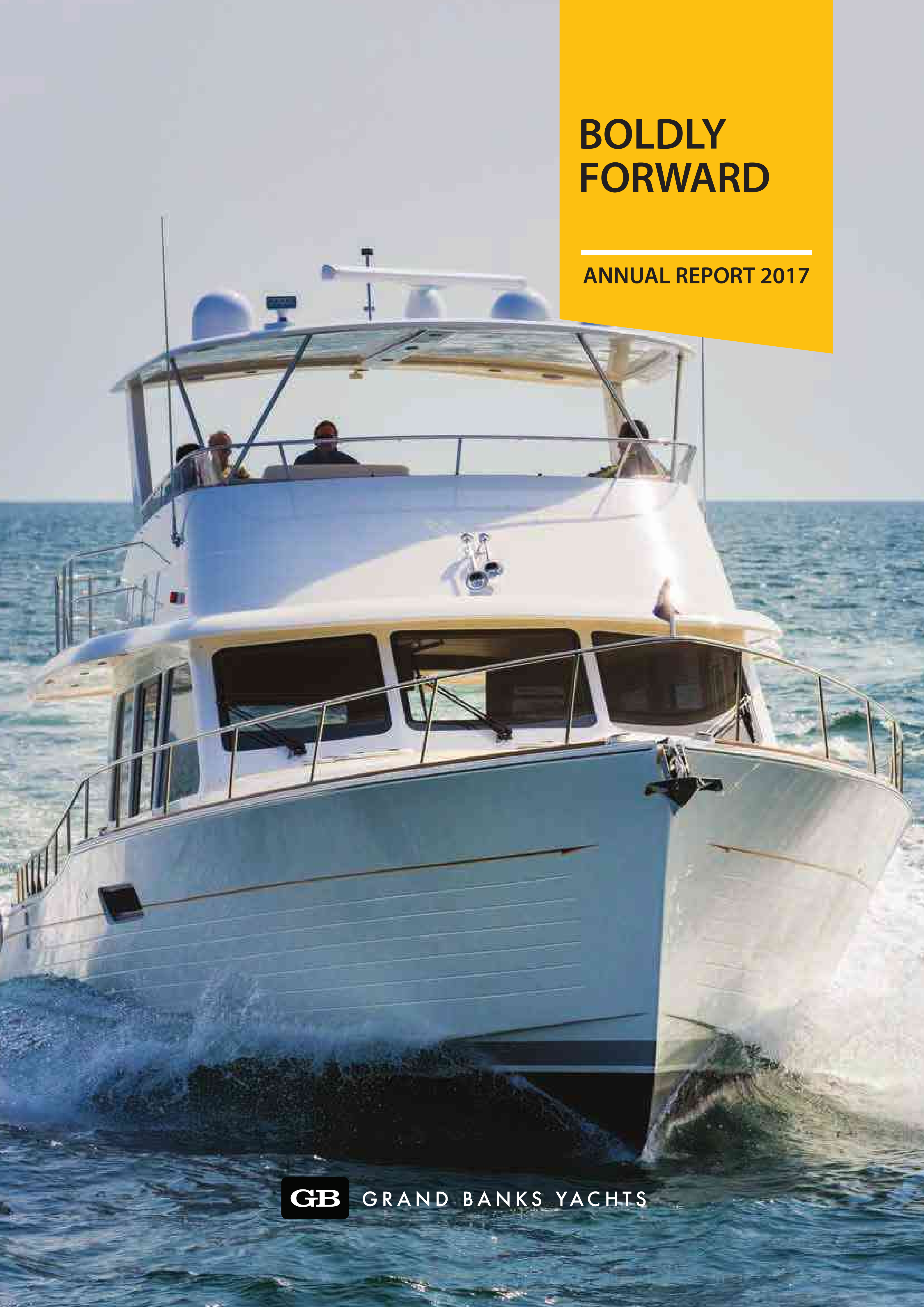
BOLDLY FORWARD

ANNUAL REPORT 2017



GRAND BANKS YACHTS

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

The Group manufactures yachts under the Grand Banks and Palm Beach brands out of its manufacturing yards at Pasir Gudang, Johor, Malaysia, and Berkeley Vale, Sydney, Australia. The yachts, which range between 42 feet and 65 feet, have a reputation for impeccable quality that delivers an unrivalled performance.

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

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* Inside front cover

CHAIRMAN'S STATEMENT

HEINE ASKAER-JENSEN
Chairman of the Board of Directors

"We are passionate and prepared to be measured on an extreme level of customer admiration and satisfaction. Only then can we expect to deliver meaningful and sustainable returns to our shareholders, which is our ultimate goal."

HEINE ASKAER-JENSEN
Chairman of the Board of Directors

DEAR SHAREHOLDERS,

The financial year ended 30 June 2017 ("FY2017") marks Grand Banks Yachts Limited ("Grand Banks") and its subsidiaries (the "Group") 60th anniversary since its establishment in Hong Kong in 1957, a testament to our revered heritage and leadership in the boating industry. The Grand Banks Board and management have stayed passionate and focused on its strategic vision in making motor yacht history.

The new GB60 marks a profound milestone in overall performance that will not only change Grand Banks' future, but that of the entire luxury motor boating industry.

While we have fallen short in terms of our financial performance, we have made significant investments that form a strong foundation for the Company's long-term growth. More importantly, we have a remarkable and outstanding strategic product line, from which you, as our supporting shareholder, our many stakeholders and the entire industry, can expect to benefit significantly during the coming years; save for any unexpected international events.

Financial details of FY2017 can be found in the accompanying pages and speak well for themselves. I wish to call your attention to the CEO's message, which reflects Grand Banks' positioning in a very dynamic and competitive yachting industry.

It was barely three years ago that Grand Banks Yachts Limited merged its motor yacht activities with those of Palm Beach Motor Yacht Co Pty Ltd ("Palm Beach") of Australia. It takes special skill and mindset to successfully manage such amalgamation that benefits shareholder value, it could hardly have been better accomplished. Under the guidance of Mark Richards, who took the helm as CEO on 1 August 2014, we have achieved much. All of which could not have been done without the contributions from the outstanding management and staff of both organizations. I wish to express my respect and appreciation to everyone who has gone through sweat and tears to see through this profound paradigm shift – we now have an absolutely clear and modern manufacturing process in place.

The coming years will see us further focusing on enlarging the new Grand Banks Group product family, both in configuration and size. Our world-wide market communication, bonding, sales and service structures will be expanded and further professionalized. Customers' owner experience will take priority as it serves as our obvious basis for existence.

We are passionate and prepared to be measured on an extreme level of customer admiration and satisfaction. Only then can we expect to deliver meaningful and sustainable returns to our shareholders, which is our ultimate goal.

Once again, on behalf of the Board, we would like to extend our appreciation to every customer, confident shareholders, determined and smart-working crew as well as every other stakeholders who have chosen to be with us throughout this exceptional journey.

In appreciation.

HEINE ASKAER-JENSEN
Chairman of the Board of Directors

CEO'S MESSAGE

"FY2017 was a major turning point for Grand Banks, and we are poised to recognise the benefits in FY2018 and the years to come."

MARK J. RICHARDS
Executive Director & CEO

MARK J. RICHARDS
Executive Director & CEO

DEAR SHAREHOLDERS,

FY2017 marks my third year with Grand Banks Yachts Limited and has been the most productive year since I began restructuring the business following my appointment as Chief Executive Officer in August 2014. Apart from another year of profit, we celebrated Grand Banks' 60th anniversary as a world-renowned manufacturer of luxury yachts by unveiling the Grand Banks 60 ("GB60") – a new and improved flagship model built with craftsmanship that was refined over six decades of boat-building.

Restructuring the Group's facilities and returning it to profitability has been a massive undertaking, but we have laid a solid new foundation for more positive future developments, and have achieved remarkable results that demonstrate our ongoing commitment to shareholders. Beyond restructuring, we focused chiefly on producing and selling new boats during the year.

While we incurred a net loss of S$0.5 million in the first nine months of FY2017, we bounced back with a net profit of S$1.0 million for the fourth quarter – and FY2017 earnings of S$0.5 million – to achieve a second straight year of profitability. Notably, the Group remained cash flow positive, generating net cash of S$5.1 million from operations in FY2017.

In May 2017, our flagship GB60 made its global debut at Australia's Sanctuary Cove International Boat Show. This was followed by a U.S. launch at the Newport International Boat Show in September 2017, where we received overwhelming response for the GB60, underscoring its appeal to even the most discerning customers. To date, we have already received six orders for the GB60, an impressive start for our flagship boat.

We will incorporate the same cutting-edge manufacturing techniques into the production of the upcoming Grand Banks 52 ("GB52"), which will be unveiled by end-2018. We are in the midst of finalising new boat designs, which we will release in the next 12 months.

Our fully redeveloped 300,000-square feet facility in Pasir Gudang, Malaysia underwent even more enhancements in FY2017 to lift Group-wide utilisation rates and streamline efficiencies. We relocated the production of fiberglass hull moulds to in-house manufacturing, a function which we had previously outsourced. Through the use of Computer Numeric Control machines, we reduced manual labour and error by automating and unifying multiple actions into a single system. Although it took six months to get our robotics up and running, we were able to speed up and improve the quality of mould-making.

We have also built a sheltered test pool at the Pasir Gudang factory, which will allow us to test our boats' complex systems rigorously before they are shipped out. Previously, the boats had to be taken out to sea to complete the testing, which required substantially more man-hours and depended heavily on favourable weather conditions. We have also added roofs to uncovered areas at the factory, increasing useable covered floor space by approximately 20%.

These initiatives have expanded our production capacity by reducing the average commissioning hours needed to build and test-drive new boats, and shortening our production cycle. With these processes now in place, we will be able to significantly shorten our production cycle while offering a final product of even better quality.

Our new factory-direct sales model has proven extremely effective. With a full-time in-house sales team, we have been able to forge closer relationships with existing and potential customers while taking direct control of the Group's global sales, strengthening the overall health of our business model.

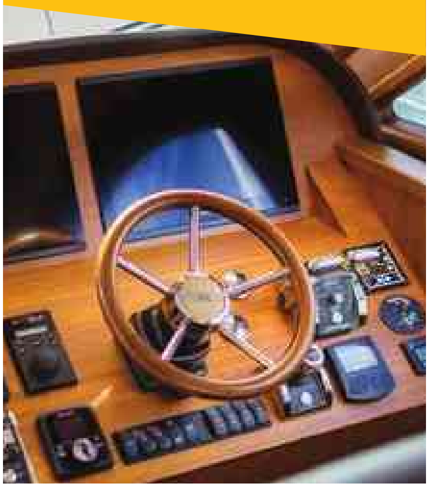
Our net order book has also hit eight-year highs since the implementation of our new sales model at end-2014. It currently stands healthy at S$36.8 million, which includes orders for all our models. We believe demand for both the Grand Banks and Palm Beach brands will be robust in the months ahead, and expect stronger sales and increased international outreach going forward.

FY2017 was a major turning point for Grand Banks, and we are poised to recognise the benefits of this in FY2018 and the years to come. We will continue to invest in our manufacturing processes, facilities and, of course, our staff at both Grand Banks and Palm Beach, whose hard work has been so essential to our success in the global yachting industry. We assure you that we will continue to upgrade our production techniques and improve the bottom-line while delivering premium boating experiences for yachtsmen worldwide.

In closing, I wish to thank all colleagues, business partners, customers and suppliers for their faith and support. I look forward to another year of growth together.

MARK J. RICHARDS
CEO, Grand Banks Yachts Limited

FY2017
FINANCIAL HIGHLIGHTS



For the financial year ended 30 June 2017 ("FY2017"), revenue amounted to S$58.7 million, unchanged from a year ago ("FY2016"). FY2017 revenue was impacted by the longer than expected delivery time for the first Grand Banks 60 yacht. The U.S. market continues to be the Group's largest market, accounting for 68.7% of global sales while Australia accounts for the remaining 31.3%.

During the year, the Group has continued to put in significant efforts to improve production and operational efficiencies whilst expanding its product line. Moreover, a more agile and lean operations at the Malaysian plant resulted in a favourable gross profit for the year. Gross profit increased by S$0.3 million to S$10.5 million in FY2017, compared to S$10.2 million in FY2016 while gross profit margin edged up to 17.9% from 17.4% over the comparative periods.

FY2017 saw total operating expenses increase to S$9.9 million from S$9.0 million a year earlier due to higher broker commissions, boat show expenses and marketing consultancy fees. Finance costs in FY2017 were in relation to the bank borrowings to finance part of the lease renewal consideration of its manufacturing yard in Pasir Gudang, Johor, Malaysia.

The Group recorded a tax expense of S$0.4 million in FY2017 compared to a tax credit of S$0.7 million in FY2016 due to a deferred tax asset recognition in FY2016.

As a result, the Group achieved a net profit after tax of S$0.5 million, lower than the S$2.0 million recorded in FY2016.

The Group remained cash flow positive, generating net cash of S$5.1 million from operations in FY2017. This was lower than the S$6.5 million in FY2016, primarily due to the smaller net profit.

Cash flows used in investing activities for FY2017 amounted to S$5.2 million due to the development of new yacht models as well as improvements at the Pasir Gudang facility. In comparison, cash flows used in investing activities in FY2016 were S$10.4 million due to the final payment for the acquisition of Palm Beach Motor Yacht Co Pty Ltd, the lease renewal of its Pasir Gudang yard, and the development of new yacht models, mitigated by proceeds from previously restricted cash held for acquisition.

Cash flows used in financing activities for FY2017 came to S$0.8 million due to the installment repayment of borrowings in relation to the lease renewal of the Pasir Gudang yard. In FY2016, the Group had S$3.6 million in cash inflows from financing activities in relation to the bank financing for the lease renewal.

Despite the strong cash flow from operations, cash and cash equivalents decreased to S$15.9 million as at 30 June 2017 from S$16.4 million as at 30 June 2016 due largely to the investment in new yacht models and the significant factory improvements at the Pasir Gudang yard.

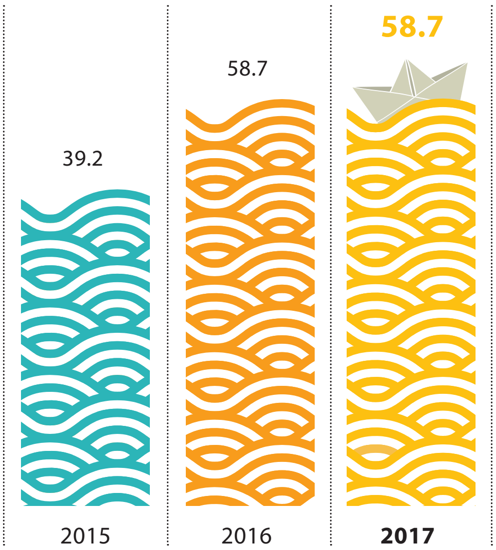
Earnings per share for FY2017 amounted to 0.28 Singapore cent compared to 1.07 Singapore cents in FY2016 while net asset value per share was 24.54 Singapore cents as at 30 June 2017 compared to 24.71 Singapore cents a year ago.

The Group received 19 new boat orders in FY2017, lifting its aggregate net order book to S$36.8 million as at 30 June 2017 compared to S$34.1 million a year ago.

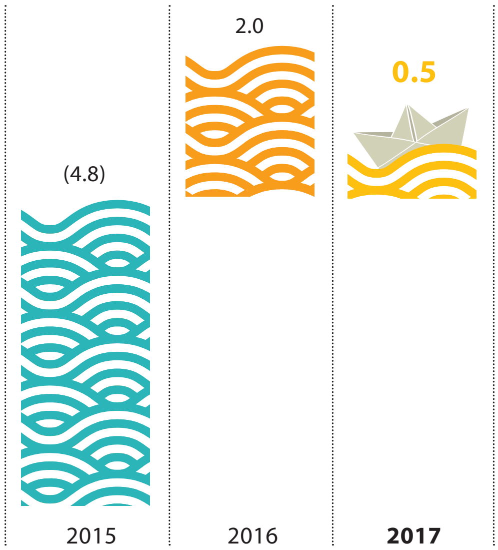
THREE-YEAR FINANCIAL HIGHLIGHTS

For the Financial Year ended 30 June

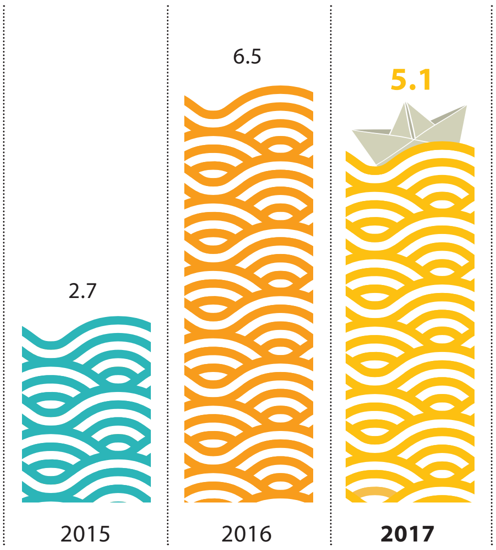
REVENUE S$ million



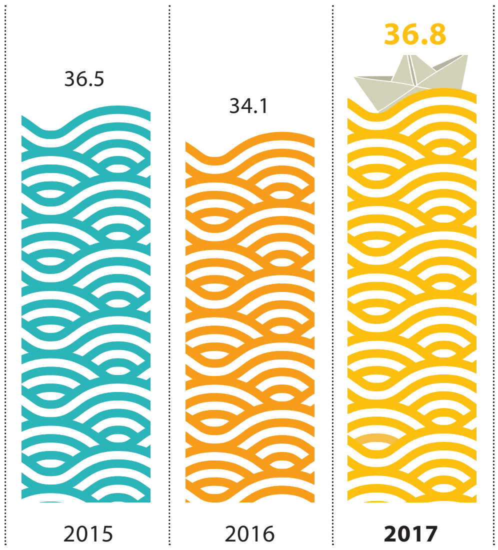
NET (LOSS)/PROFIT S$ million



OPERATING CASH FLOW S$ million



NET ORDER BOOK S$ million



BOARD
OF DIRECTORS

HEINE ASKAER-JENSEN
Chairman of the Board &
Independent Director

MR. HEINE ASKAER-JENSEN was appointed to the Board on 14 November 2011. He was last re-elected to the Board on 28 October 2015.

Mr. Askaer-Jensen holds a Bachelor Degree from Sonderborg Handelshojskole, 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 1970-2011, a diversified ASEAN group of more than S$1 billion in revenue and 4,500+ employees engaged in trading, manufacturing and engineering activities. Mr. Askaer-Jensen, a Singapore permanent resident, is also the past Deputy Chairman and member of the board of the Singapore International Chamber of Commerce from 1994 to 2011, and an avid yachtsman who is intimately familiar with the Company's products as a Grand Banks owner.

MARK JONATHON RICHARDS
Chief Executive Officer &
Executive Director

MR. MARK JONATHON RICHARDS was appointed Chief Executive Officer and Executive Director of Grand Banks Yachts in August 2014. He was last re-elected to the Board on 26 October 2016.

A qualified shipwright and passionate yacht designer, Mr. Richards founded Palm Beach Motor Yachts in 1995. Under his leadership, Palm Beach has developed a reputation for producing some of the highest quality and most fuel-efficient luxury motor yachts in the world.

Palm Beach's award-winning yachts are designed, built, and marketed from its facility in Australia's Berkeley Vale, just 100 km north of Sydney.

Mr. Richards is also a successful yachtsman. He is a two-time world champion and has won the prestigious Sydney-Hobart yacht race for a record eight times. He has represented Australia in dozens of international regattas, including two America's Cups and the 2003 Admiral's Cup in the U.K., where he led Australia to victory.

BASIL CHAN
Independent Director

MR. BASIL CHAN was appointed to the Board on 14 November 2011. He was last re-elected to the Board on 26 October 2016.

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

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

BOARD OF DIRECTORS

GERARD LIM EWE KENG
Non-Executive & Non-Independent Director

MR. GERARD LIM EWE KENG was appointed to the Board on 21 February 2013. He was last re-elected to the Board on 28 October 2015.

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

Mr. Lim is the General Manager 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.

GARY JAMES WEISMAN
Independent Director

MR. GARY JAMES WEISMAN was appointed to the Board on 28 October 2015.

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.

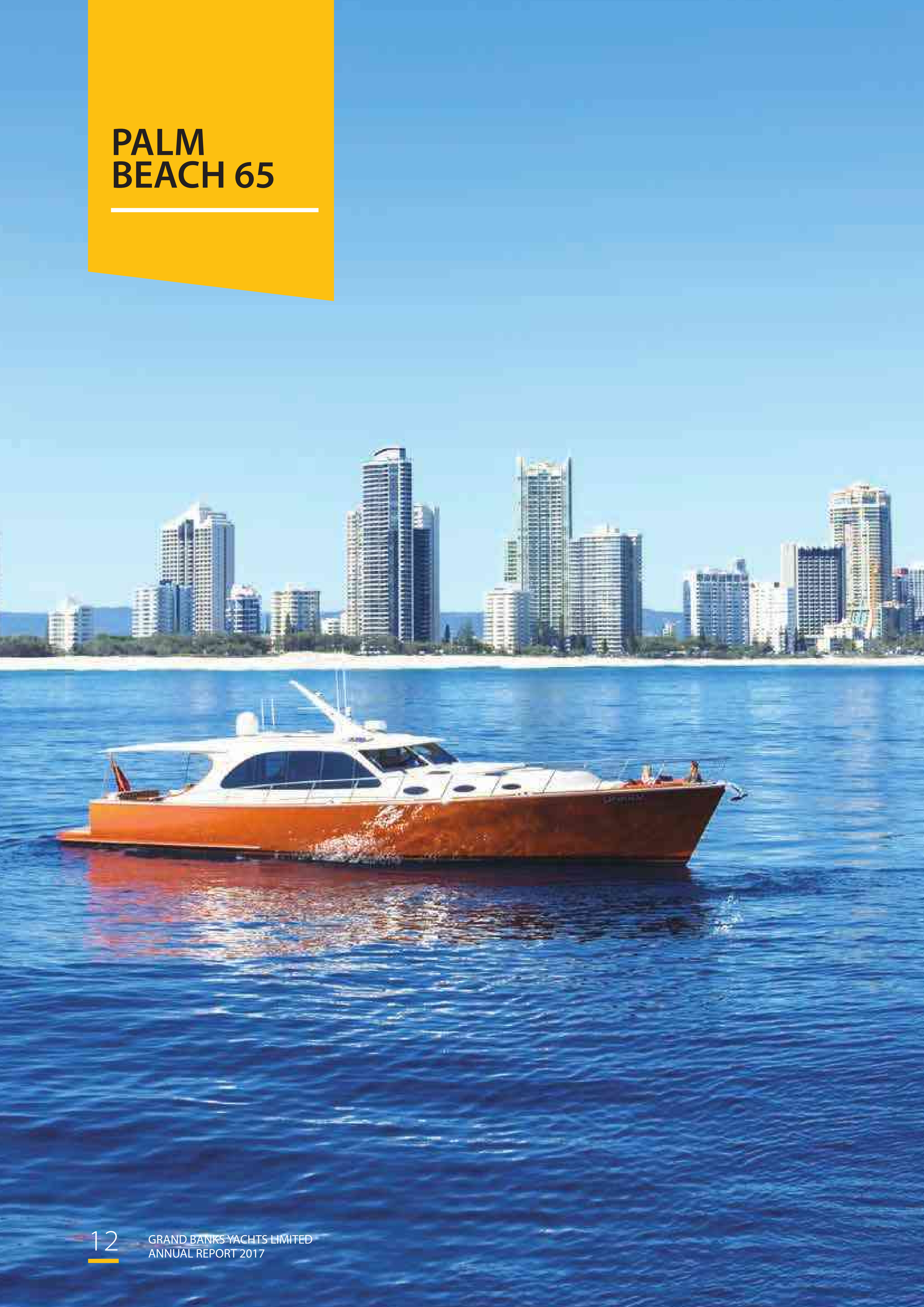
An expert yachtsman, Mr. Weisman has owned powerboats and sailboats for more than 25 years, and has fished and cruised over 50,000 miles aboard his vessels. He has also raced hundreds of thousands of miles on the Grand Prix yachting circuit. In 2017, his family took delivery of a new Grand Banks 60,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

GRAND BANKS 60

THE WORLD IS YOUR OCEAN

ONBOARD THE GB60

PALM BEACH 65



FINANCIAL CONTENTS

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 practice to ensure greater transparency and to protect the interests of the Company's shareholders as part of its efforts to maintain high standards of corporate governance.

This report outlines the corporate governance practices and procedures adopted by the Company with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "Code") and the extent of its compliance with the Code during the financial year ended 30 June 2017 ("FY2017").

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

BOARD MATTERS

The Board's Conduct Of Affairs

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
1.1 The Board's role is to: (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives; (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed; including safeguarding of shareholders' interests and the Company's assets; (c) review management performance; (d) identify the key shareholder groups and recognize that their perceptions affect the company's reputation; (e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.	The Board views one of its primary functions as protecting and enhancing shareholder value. In addition, the Board oversees the Management of the Group and meets regularly to do so. The Board sets the overall strategies of the Group as well as policies covering various matters with an emphasis on values, standards, internal controls, budget, financial performance, quarterly reporting and risk management procedures as well as environmental and social issues. The Board also reviews and approves all major investments and divestment proposals, acquisitions and disposal of assets and interested person transactions, if any.

CORPORATE GOVERNANCE REPORT

1.2	All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.	Every Director, in the course of carrying out his duties, acts in good faith and considers at all times, the interests of the Group. The Board provides shareholders with a balanced and clear assessment of the Group's financial performance, position and prospects on a quarterly basis.
1.3	The Board may delegate the authority to make decisions to any board committee but without abdicating its responsibility. Any such delegation should be disclosed.	The Board delegates the implementation of business policies and day-to-day operations to the Chief Executive Officer ("CEO") and the Group's Management team. 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") and a Risk Management and Audit Committee ("RMAC") and delegated specific areas of responsibilities to be discharged by each of these Board Committees. 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.

CORPORATE GOVERNANCE REPORT

1.4	The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the Company's Annual Report.	The Board held six meetings in FY2017, including ad hoc Board meetings held whenever the Board's guidance or approval was required, outside of the scheduled Board meetings. The number of Board and Board Committees meetings held and the attendance record of each director during FY2017 are set out in Table B. In addition, the Board held several conference calls throughout the year to expedite decision-making on critical areas. Decisions of the Board and Board Committees were also obtained through circular resolutions in writing. Dates of Board, Board Committees and Annual General Meetings are scheduled in advance in consultation with all of the Directors. A Director who is unable to attend a Board or Committee meeting in person is invited to participate in the meeting via telephone or video conference.
1.5	Every company should prepare a document with guidelines setting forth: (a) The matters reserved for the Board's decision; and (b) Clear direction to Management on matters that must be approved by the Board. The types of material transactions that require board approval under such guidelines should be disclosed in the Company's Annual Report.	Matters which are specifically reserved for the Board's decision and approval include: • material acquisitions and disposals of assets; • material new investments, borrowings, corporate or financial restructuring; • share issuances, dividends and other returns to shareholders; • corporate strategies and objectives; • the Group's annual budget and financial plans; • the Group's overall financial and management performances; • Remuneration for key executives; • the Group's overall internal controls and risk management; • Quarterly and full year financial results and announcements as well as compliance with bank covenants for banking facilities granted by financial institutions; and • Corporate governance compliance, including any other transactions of a material nature requiring announcement under the listing rules of the Singapore Exchange Securities Trading Limited. The Board has adopted a "Delegation of Authority Matrix" for Management – setting thresholds/limits for transactions permitted to be undertaken by Management.

1.6 Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the company's business and governance practices. The Company should provide training for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate. It is equally important that all directors should receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.	All newly appointed Directors undergo an orientation program to provide them with background information on the Group and industry-specific knowledge. 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. 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. The Directors may, at any time, visit the Group's production facilities and sales locations or attend dealer meetings, trade shows and customer activities to gain a better understanding of the Group's business. If regulatory changes have a material impact on either the Group or the Directors, Management briefs the Directors at the Board meetings.
1.7 Upon appointment of each director, the Company should provide a formal letter to the director, setting out the director's duties and obligations.	The Company has issued a formal letter to all directors, which spell out the responsibilities and obligations of directors. All directors have unrestricted access to the Company's resources such as its Constitution, Terms of References of the respective Board Committees, Annual Reports and any other pertinent information for their reference. All directors have attended certain courses organized by Singapore Institute of Directors.

Board Composition And Guidance

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	During the year, the Board comprises five members: three independent directors, one non-executive non-independent director and one executive director. The Board is able to exercise objective judgement on corporate affairs independently as independent directors comprise 60% of the Board. Further, all Board Committees are chaired by independent directors and comprised primarily of independent directors. Please refer to Table A for Board and Board Committees.

CORPORATE GOVERNANCE REPORT

2.2	The independent directors should make up at least half of the Board where: (a) The Chairman of the Board (the "Chairman") and the Chief Executive Officer (or equivalent) (the "CEO") is the same person; (b) The Chairman and the CEO are immediate family members; (c) The Chairman is part of the management team; or (d) The Chairman is not an independent director.	The Chairman of the Board of Directors is an independent director and not related to the Chief Executive Officer.
2.3	An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the Company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. If the Board wishes to consider the director as independent, in spite of the existence of one or more of these relationships as defined in the Code, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.	The NC is responsible for reviewing the independence of each director based on the guidelines set out in the Code. The NC conducts the review annually and requires each independent director to submit a confirmation of independence based on the guidelines provided in the Code. With three of the directors deemed to be independent, including independence from the substantial shareholders of the Group, the Board exercises independent and objective judgement on all corporate matters and constructively challenges key decisions, and strategies taking into consideration the long-term interests of the Group and its shareholders.
2.4	The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subjected to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.	None of the independent directors had served on the Board for more than nine years. The Board with the help of NC continuously evaluate the need for Board renewal, taking into account the length of service of each director and the environment the Group operates in.

CORPORATE GOVERNANCE REPORT

2.5	The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board should not be so large as to be unwieldy.	The NC has continuously reviewed the size and composition of the Board and Board Committees, including the skills and core competencies of each director to ensure an appropriate balance and diversity of skills and experience for effective decision-making. The NC also takes into consideration the environment the Group operates in, the size and complexity of its operations in determining the Board size and composition. The NC is satisfied that the Board continues to operate effectively for the Group given the current Board size and composition.
2.6	The Board and its Board Committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.	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 has the appropriate mix of expertise to lead and govern the Group effectively as the Board's 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 Board and Board Committee meetings. Details of the directors' academic and professional qualifications as well as experiences and other appointments are set out on pages 8 and 9 of this Annual Report. The Board seeks diversity in Board composition and has members with accounting, financial background and from diverse industries and geographical markets, including the boat industry and the Group's key markets such as the USA and Australia. The Board recognizes the need for gender diversity and will consider favorably a female board member at the next board renewal exercise.

CORPORATE GOVERNANCE REPORT

2.7	Non-executive directors should: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	The independent and non-executive directors confer regularly with the executive director and Management to develop strategies for the Group, review the performance of Management, assess remuneration and discuss corporate governance matters.
2.8	To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without the presence of Management.	The Group's independent and non-executive directors hold regular conference calls and meetings without the presence of Management.

Chairman And Chief Executive Officer

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

	Guidelines Of The Code	Grand Banks Corporate Governance Practices
3.1	The Chairman and CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.	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 60% 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.
3.2	The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role; (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (c) promote a culture of openness and debate at the Board; (d) ensure that the directors receive complete, adequate and timely information; (e) ensure effective communication with shareholders; (f) encourage constructive relations within the Board and between the Board and Management; (g) facilitate the effective contribution of non-executive directors in particular; and (h) promote high standards of corporate governance.	The Group's Chairman plays a key role in promoting high standards of corporate governance, scheduling meetings that enable the Board to perform its duties, establishing the agenda for the Board meetings in consultation with the CEO and ensuring that the Board reviews and approves the Group's key strategies and policies. The Chairman also participates in communicating with key stakeholders, including shareholders, employees, independently-owned dealers, independent brokers and customers. The CEO's responsibilities encompass managing the day-to-day business activities of the Group, developing and executing the Group's strategies, reporting back to the Board on the performance of the Group, and providing guidance to the Group's employees. The CEO also encourages constructive relations between Management and the Board.

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3.3	Every company should appoint an independent director to be the lead independent director where (a) the Chairman and the CEO is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director. The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate.	The Company is not required to comply with this Guideline and has not appointed a lead independent director since the Group's Chairman and CEO are two separate and unrelated persons. The Chairman is an independent and non-executive director.
3.4	Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.	The Company is not required to appoint a lead independent director under the Code. The independent and non-executive directors including the Chairman, who is an independent director, confer regularly without the presence of the executive director via emails and telephone calls. As and when the need arises, either the Chairman or any of the independent and non-executive directors may call for meetings to meet or communicate amongst themselves.

Board Membership

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

Guidelines Of The Code		Grand Banks Corporate Governance Practices
4.1	The Board should establish a NC to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.	The NC, whose terms of reference are approved by the Board, comprises three members: two independent directors and one non-executive non-independent director. The NC Chairman is independent and not associated in any way with the 10% shareholders of the Company. The NC met three times during FY2017. Please refer to Table A for the composition of the NC.

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

(a) the review of Board succession plans for directors, in particular, the chairman and for the CEO;

(b) the development of a process for evaluation of the performance of the Board, its Board Committees and directors;

(c) the review of training and professional development programs for the Board; and

(d) the appointment and re-appointment of directors (including alternative directors, if applicable).

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

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

The NC is responsible for making recommendations to the Board on all Board appointments and on the composition of executive and independent directors of the Board. The NC also reviews and recommends on the nomination of directors who are retiring by rotation as well as determining annually whether or not a director is independent. In respect of re-nominations, the NC also considers the individual director's contribution and performance and whether the director has adequate time and attention to devote to the Company, in the case of directors with multiple board representations.

In accordance with 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 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.

In the coming year, the NC will deliberate succession plans for the Chairman and the CEO.

An annual evaluation of the performance of the Board is in place. Please refer to Guideline 5.1.

The training and professional development programs for the Board are covered in Guideline 1.6.

The selection, appointment and re-appointment of directors are covered in Guideline 4.6.

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4.3	The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it should provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is non-independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.	A director who has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement, is considered to be independent. 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.
4.4	When a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his/her duties as a director of the company, taking into consideration the director's number of listed company board representations and other principal commitments. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.	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.
4.5	Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate director bear all the duties and responsibilities of a director.	The Company does not have any alternate directors.

CORPORATE GOVERNANCE REPORT

4.6	A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.	When the need for a new director is identified, either to replace a retiring director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for NC's consideration. The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting their recommendations to the Board for approval. The NC reviews the re-nomination of directors who retire by rotation, taking into consideration the director's contribution, performance and any other factors it may determine before submitting its recommendation to the Board for approval.
4.7	The following information regarding directors, should be disclosed in the company's Annual Report: • academic and professional qualifications; • shareholdings in the company and its related corporations; • board committees served on (as a member or Chairman), date of first appointment and last re-appointment as a director; • directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments; • indicate which directors are executive, non-executive or considered by the NC to be independent; and • the names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions.	Details of the directors' academic and professional qualifications, date of first appointment and other relevant information are set out on pages 8 and 9 of this Annual Report as well as in Table C.

CORPORATE GOVERNANCE REPORT

Board Performance

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

Guidelines Of The Code		Grand Banks Corporate Governance Practices
5.1	Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report.	The NC assesses the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board. It does so by requiring all directors to complete a board evaluation questionnaire to seek their view on Board performance and effectiveness as well as areas for improvement. The NC periodically engages external consultants to help in this evaluation process. The results of the NC's assessment for FY2017 are communicated to and accepted by the Board. The Board is satisfied that it has met its performance and effectiveness objectives for FY2017.
5.2	The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholder value.	The criteria the Board's performance is evaluated include meeting financial performance targets, enhancement of shareholder value and good corporate governance practices.
5.3	Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in conclusion with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.	Each director assesses the effectiveness of the Board as a whole by providing feedback to the NC. The feedback from each director are collated and discussed by the NC and where necessary, recommendations are made to the Board to further enhance the effectiveness of the Board. The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company. There is no individual evaluation of each director. The size of the Board is small and there are regular dialogues among the directors. Nominations for re-election of retiring directors are recommended by the NC and approved by the Board. The replacement of a director, when it occurs, does not necessarily reflect the director's performance, but may be driven by the need to align the Board with the needs of the Group.

CORPORATE GOVERNANCE REPORT

Access To Information

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
6.1 Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfill his duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.	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.
6.2 Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	The directors are regularly provided with complete and timely information prior to meetings to enable them to fulfill their duties. Management provides members of the Board with quarterly management accounts, as well as summary monthly data comparing key actual financial metrics relative to budget and results from prior periods.
6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its Board Committees and between Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.	The directors have separate and independent access to the Company Secretary. The Company Secretary helps to ensure that applicable rules and regulations are complied with and assists the Board in implementing and improving corporate governance practices and ensuring that proper procedures are observed and requirements of the Companies Act, Cap. 50 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.

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

REMUNERATION MATTERS

Procedures For Developing Remuneration Policies

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

	Guidelines Of The Code	Grand Banks Corporate Governance Practices
7.1	The Board should establish a Remuneration Committee ("RC") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.	The RC, whose terms of reference are approved by the Board, comprises three members: two independent directors and one non-executive non-independent director. The RC met three times during FY2017. Please refer to Table A for composition of the RC.
7.2	The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.	The RC reviews and makes recommendations to the Board on the framework of remuneration packages and policies applicable to the CEO, the directors and the Group's senior executives. The RC reviews the remuneration packages and employment contracts in order to attract and retain capable executives through competitive compensation. The RC recommends for the Board's endorsement, a framework of compensation that covers aspects of remuneration including directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director, the CEO and select senior executives.

7.3 If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.	The RC regularly utilises external consultant's advice and data to assist in the evaluation of its compensation recommendations. No director is involved in any deliberation in respect of his own remuneration, including any other forms of compensation or benefits to be granted to him or someone related to him. Each member of the RC abstains from making any recommendation on or voting on any resolutions in respect of his own remuneration package, except for providing information and documents specifically requested by the RC. The Company's current remuneration consultant is Mercer (Singapore) Pte Ltd which has an independent and objective relationship with the Group.
7.4 The RC should review the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.	The RC reviews the Group's termination clauses and termination processes and is of the opinion that the clauses and processes are fair and reasonable. In the course of such review, the RC also considers the Group's obligations in the event of termination of the executive director and/or any of the key management personnel, to ensure that the termination clauses in the service agreements are not overly generous so as to avoid rewarding poor performance.

Level And Mix Of Remuneration

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
8.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors' and key management personnel's performance.	In reviewing and determining the remuneration packages of the CEO and the Group's senior executives, the RC considers the executive'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.

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8.2	The RC should encourage long-term incentive schemes and review whether executive directors and key management personnel are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquiring the shares and associated tax liability.	In line with this Guideline which encourages long-term incentive schemes, the RC currently administers the Group's Performance Share Plan 2014 (the "PSP") and Employee Share Option Scheme 2014 (the "ESOS") which was approved by Shareholders at the EGM held on 8 October 2014 with the objective of attracting and retaining key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group. Each year, the Board seeks approval from the Group's shareholders to grant awards and options and to allot and issue shares in accordance with the provisions of the PSP and ESOS in order to align the interests of Management with shareholders.
8.3	The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.	All non-executive directors have an appointment letter from the Company. Both the three independent and non-executive directors and the non-independent and 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 certain benchmarking data provided by external experts. The directors' fees are then recommended by the RC for the Board's endorsement and approval by the shareholders at the Company's AGM. The Company secured shareholders' approval to allow non-executive directors to participate in both the PSP and the ESOS. All non-executive directors participate in the ESOS. Please see Table D for the detailed schedule of annual fees for independent and non-executive directors being proposed to shareholders for approval. 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$207,000 to be paid for the financial year ending 30 June 2018 on quarterly basis in arrears.

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

Disclosure On Remuneration

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

	Guidelines Of The Code	Grand Banks Corporate Governance Practices
9.1	The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the Company's Annual Report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.	Please refer to Table D for remuneration bands for the Directors and the top five key Executives.
9.2	The company should fully disclose the remuneration of each individual director and the CEO on a named basis. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives.	Please refer to Table D for remuneration bands for the directors and the top five key Executives.
9.3	The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of said top five key management personnel.	Please refer to Table D for the remuneration of the top five key management personnel (who are not directors or the CEO) in bands of S$250,000 and the aggregate total remuneration paid to them.

CORPORATE GOVERNANCE REPORT

9.4	The annual remuneration report should disclose the remuneration of employees, on a name basis, who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. Disclosure of remuneration should be in incremental bands of S$50,000.	None of the Company's employees are related to a director or the CEO.
9.5	The annual remuneration report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies.	Please refer to Note 22 of the Financial Statements.
9.6	The company should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance.	The annual reviews of the remuneration are carried out by the RC to ensure that the remuneration of the executive director and key management personnel commensurate with their performance and that of the Group, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board. The remuneration paid to the executive director and key management personnel comprises base/fixed salary component and variable components such as share plans (ESOS and PSP), bonus and other benefits. The individual's entitlement for the variable component is determined based on their personal performance and the Group's financial performance, principally the net profit before tax. These performance objectives are chosen for their objectivity and ease of measurement.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Accountability

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	The Board provides a balanced and understandable assessment of the Group's performance, position and prospects through its annual reports, quarterly and full year financial results announcements as well as timely announcements on developments in the Group's businesses. Quarterly and full year financial results of the Company are reviewed by the Board before dissemination to shareholders via SGXNET. Quarterly results are released within 45 days of the reporting period while the full year results are released within 60 days of the financial year end via SGXNET. The Company's Annual Report and Notice of AGM is despatched to shareholders at least 14 days prior to the AGM and is also made available to shareholders on request.
10.2 The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.	The Board reviews compliance issues, if any, with management on a quarterly basis. The Company periodically engages external consultants to help to ensure its compliance with legislative and regulatory requirements is satisfactory. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to shareholders in its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. For the year under review, the CEO and the CFO, have provided a written assurance to the Board on the integrity of the Group's financial statement. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems in place, including financial, operational, compliance and information technology controls. This is based on internal controls maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the various Board Committees and the Board.

10.3 Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.	Management provides the Board with a continuous flow of relevant information on the Group on a timely basis so that the Board can effectively perform its duties. Management also provides to the Board timely and comprehensive updates on the Group's business activities and financial performance, including analysis of the Group's quarterly financial performances as compared to the approved budget and prior years' performances (quarter-to-quarter and year-to-date basis), so that the Board may effectively perform its duties. On a monthly basis, Board members are provided with summary financial data and other operating information for effective monitoring and decision making.

Risk Management And Internal Controls

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
11.1 The Board should determine the company's level of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	With the help of the external firm, Virtus Assure Pte Ltd, serving as the independent internal auditor ("IA"), the Group has designed an enterprise risk management ("ERM") framework to monitor, manage and build awareness within the Group of the various risks to which the Group is exposed. The Board also reviews the Group's business and operational activities to identify areas of significant business risk as well as appropriate measures to control and mitigate these risks within the Group's policies and business strategies. The IA is retained to perform the Group's internal audit function and continues to update the Group's enterprise risk profile by facilitating management risk self-assessment to generate an updated risk register to be used by the RMAC to monitor measures implemented to mitigate the risks identified. The IA also reviews the manner in which the Group manages such risks. The objective of the risk assessment is to identify and assess risks which include key financial, operational, strategic, compliance and information technology risks as well as to evaluate the internal control systems. The RMAC is regularly updated on the Group's risk management program and internal control systems. The RMAC reports all material updates to the Board.

CORPORATE GOVERNANCE REPORT

11.2	The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	The internal controls provide reasonable but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. Reviews and tests of the internal control procedures and systems are carried out by the IA. The Board is thus satisfied with the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, strategic, compliance and information technology controls.
11.3	The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO: (a) That the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) Regarding the effectiveness of the company's risk management and internal control systems.	Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews carried out by the Management, the various Board Committees and the Board, the Board, with the concurrence of the RMAC, is of the opinion that the Group's internal controls, addressing key financial, operational, compliance and information technology controls and risk management systems, are adequate and effective as at 30 June 2017. The Board has received assurance from the CEO and CFO. The Board is of the opinion that financial records of the Group have been properly maintained and financial statements give a true and fair view of the Group's operation and finances. The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control systems.
11.4	The Board may establish a separate Board Risk Committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.	The RMAC has the responsibility of overseeing the Group's risk management framework and policies. A new terms of reference for the RMAC was adopted in financial year ended 30 June 2015 to reflect the Revised Guidelines for Audit Committees released by the Monetary Authority of Singapore.

CORPORATE GOVERNANCE REPORT

Audit Committee

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
12.1 The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors. The Board should disclose in the company's Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.	The RMAC comprises four members: three independent directors and one non-executive non-independent director, all of whom are appropriately qualified to discharge their responsibilities and functions under the RMAC's terms of reference approved by the Board. The RMAC met five times during FY2017. Please refer to Table A for composition of the RMAC.
12.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.	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.
12.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.	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.
12.4 The duties of the AC should include: (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;	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.

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 2017. These significant matters were i) impairment assessment of non-financial assets including goodwill and other intangible assets, and ii) revenue recognition and recoverability of contract work-in-progress. Please refer to pages 55 to 57 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 FY2016 and FY2017, 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 2017, no impairment of the non-financial assets including goodwill allocated to the CGU was required.

		KAM 2: Recognition of revenue and contract work-in-progress **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. The Group built several new yacht models in financial years ended 30 June 2016 and FY2017. Without historical production data, the Management estimated 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 production data became available and had improved in accuracy. The RMAC concurred with the Management's methodology of revenue recognition as described in the Group's significant accounting policies.
(b)	reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);	The RMAC evaluates the adequacy and effectiveness of the internal controls including financial, operational, compliance and information technology controls and regulatory compliance of the Group through discussion with Management and both its internal and external auditors. The RMAC also reviews the Group's compliance with the Listing Manual and Code of Corporate Governance including interested person transactions and whistle-blowing activities, if any.
(c)	reviewing the effectiveness of the company's internal audit function;	The RMAC discusses the significant internal audit observations, as well as Management's responses and actions to correct any deficiencies, with Management and the external auditors. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.

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	(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and	The RMAC reviews the following: the scope of the independent auditors' audit plan; the cost-effectiveness of the independent audit; the independent auditors' 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.
	(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.	The RMAC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.
12.5	The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of Management, at least annually.	The RMAC meets with the internal auditor and the external auditors separately, at least once a year, without the presence of the Management to review any areas of audit concern that might have arise in the course of their audit.
12.6	The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.	The RMAC undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as by reviewing the non-audit services provided and the fees paid to them. It is the opinion of the RMAC that the non-audit services provided by the external auditor 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 94.

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12.7	The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.	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 FY2017. The RMAC has reviewed the Code of Ethics and Business Principles and the whistle-blowing policy and is satisfied with their appropriateness.
12.8	The Board should disclose a summary of all AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	Please refer to Guideline 12.4(a) to 12.4(e) above for a summary of the RMAC's activities during FY2017. The RMAC and Management have continuously kept themselves updated on the changes to accounting standards, Listing Manual of the SGX-ST and other regulations which could have a direct impact on the Group's business and financial statements by attending relevant seminars conducted by Singapore Institute of Directors, the Big Four accounting firms, SGX and other organisations.
12.9	A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.	None of the RMAC members is a former partner or director of the Company's existing auditing firm.

Internal Audit

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
13.1 The Internal Auditor ("IA") primary line of reporting should be to the AC Chairman although the IA would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The IA should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.	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.
13.2 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff.	The internal audit function is outsourced to an external firm, Virtus Assure Pte Ltd. 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.
13.3 The internal audit function should be staffed with persons with the relevant qualifications and experience.	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.
13.4 The IA should carry out its function according to the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	Please refer to the Group's practices in Guideline 13.3. The IA is guided by The Standard of The Institute of Internal Auditors in carrying out the internal audit function of the Group. In addition, the IA's risk assessment approach is based on the risk framework of The Committee of Sponsoring Organizations of Treadway Commission ("COSO").
13.5 The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.	The RMAC has determined the internal audit firm has met or exceeded its obligations under the terms of engagement. The internal audit firm reports to the RMAC and has unrestricted, direct access to the RMAC. The RMAC reviews and approves the annual internal audit plan as well as reviews the results of the regular audits including the monitoring of the implementation of the improvements required on internal control weaknesses identified. The Board is satisfied with the adequacy of the internal audit function and is confident it has an appropriate standing within the Group, is adequately resourced and is independent of the activities it audits.

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SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.	The Company has adopted quarterly results reporting since the quarter ended 31 December 2008. In line with the Group's disclosure obligations pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group through SGXNET and press releases on an immediate basis.
14.2 Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.	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 ("EGMs"), where applicable, are sent to every shareholder of the Company, informing them of the rules and voting procedures that govern the general meetings. The Notices of the general meetings are also advertised in the newspapers and announced via SGXNET. All AGMs and EGMs of the Company are held in a downtown location where public transportation is easily accessible and at a convenient time at 10.00 a.m. on a weekday to encourage shareholder attendance. Microphones are placed conveniently in the meeting room to encourage participation by shareholders. Polling is conducted electronically for confidentiality and convenience. The Company appoints a polling agent for general meetings. The polling agent explains the rules and voting procedures to shareholders at the meetings.
14.3 Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	The Company's Constitution do not place a limit on the number of proxies a shareholder can appoint.

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Communication With Shareholders

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
15.1 Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	The Company has adopted quarterly results reporting since the quarter ended 31 December 2008. In line with the Group's disclosure obligations pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner for all material developments that impact the Group through SGXNET and press releases on an immediate basis. Shareholders of the Company receive the Annual Reports and notices of AGMs which are also advertised in the newspapers at least 14 days prior to the AGMs. The Board encourages shareholders' participation at the AGMs and periodically communicates with shareholders through the course of the financial year. Similarly, shareholders of the Company receive the circulars and notices of EGMs which are also advertised in the newspapers at least 14 days prior to the EGMs.
15.2 Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.	All material information on the performance and development of the Group and of the Company is disclosed in a timely, fair and transparent manner. The Company does not practice selective disclosure of material information. The Group makes all necessary disclosures to the public via SGXNET. The Group also maintains a comprehensive website accessible to the public which describes the Group's products and business among other items.
15.3 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.	Both Executive and Non-Executive Board members meet or speak with key shareholders regularly to gather their views and address their concerns.

15.4	The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor road shows or Investors' Day briefing.	Refer to the Group's Practices for Guideline 15.3. Both Executive and Non-Executive Board members meet or speak with key shareholders regularly to gather their views and address their concerns. The Company has hired an investor relation firm, WeR1 Consultants Pte Ltd, to build relationship with shareholders, investor communities and other stakeholders and to organize analyst briefings, factory tour and other events for investors and press releases. Shareholders are also encouraged to share their views and feedbacks with the Company via its investor relation firm.
15.5	Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.	Payment of dividends will depend on the Group's earnings, financial position, results or operations, capital needs, plans for expansion, and other factors as the Board may deem appropriate. The Company has not paid any dividends in recent years because of its performance as well as the substantial funds the Group has invested in new product development and improvement to its Malaysia facilities, including the renewal of its leases. The Company is working towards determining and adopting a dividend payment policy and intends to pay dividends when the Group's profits are sustainable.

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Conduct Of Shareholder Meetings

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

Guidelines Of The Code	Grand Banks Corporate Governance Practices
16.1 Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.	All AGMs and EGMs of the Company are held in a downtown location where public transportation is easily accessible and at a convenient time at 10.00 a.m. on a weekday to encourage shareholder attendance. Microphones are placed conveniently in the meeting room to encourage participation by shareholders. For greater transparency and fairness in the voting process, voting at all the Company's general meetings are conducted by poll. This allows all shareholders present or represented at the meetings to vote on a one-share-one vote basis. The Company's Constitution allows any shareholder, who is unable to attend the general meetings in person, to appoint one or more proxies to attend and vote in his/her place at the general meetings via proxy forms submitted in advance (i.e. not less than 24 hours before the time appointed for poll). The proxy form is sent with the notice of general meetings to all shareholders. The voting results of all votes cast for or against each resolution (including the respective percentages) are disclosed during the general meetings and the same will be announced via SGNET after the conclusion of the general meetings. The Company's Constitution allows for shareholders to vote in absentia, including voting by mail, electronic mail or facsimile.
16.2 There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.	All the resolutions at general meetings are each separately tabled as single item resolutions.

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

OTHER CORPORATE GOVERNANCE MATTERS

Dealing in Securities

(Listing Manual Rule 1207 (19))

The Company has adopted and complied with the best practices on dealings in securities.

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

"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 FY2017 (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 FY2017 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 31 July 2017 and was renewed for another three years at a monthly amount of approximately S$23,000, based on independent valuation.	252	0

The 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.

Material Contracts
(Listing Manual Rule 1207(8))

No material contracts of the Company or its subsidiaries involving the interests of the Chief Executive Officer 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 25 to the Financial Statements and Interested Person Transaction on this page. In addition, no Director or a related company with a Director has received a benefit from any contract entered into by the Group since the end of the previous financial year.

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Use of Proceeds

(Listing Manual Rule 1207(20))

Not applicable

Table A

Board comprises:
Heine Askaer-Jensen (Chairman, Independent)
Basil Chan (Independent)
Gerard Lim Ewe Keng (Non-executive, Non-independent)
Mark Jonathon Richards (Executive)
Gary James Weisman (Independent)

Nominating Committee comprises:
Basil Chan (Chairman, Independent)
Heine Askaer-Jensen (Independent)
Gerard Lim Ewe Keng (Non-executive, Non-independent)

Remuneration Committee comprises:
Heine Askaer-Jensen (Chairman, Independent)
Basil Chan (Independent)
Gerard Lim Ewe Keng (Non-executive, Non-independent)

Risk Management and Audit Committee comprises:
Basil Chan (Chairman, Non-executive, Independent)
Heine Askaer-Jensen (Non-executive, Independent)
Gerard Lim Ewe Keng (Non-executive, Non-independent)
Gary James Weisman (Non-executive, Independent)

Table B

Name of Director	Board of Directors Meetings		RMAC Meetings		Remuneration Committee Meetings		Nominating Committee Meetings	
	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*
Heine Askaer-Jensen	6	6/6	5	5/5	3	3/3	3	3/3
Basil Chan	6	6/6	5	5/5	3	3/3	3	3/3
Gerard Lim Ewe Keng	6	6/6	5	5/5	3	3/3	3	3/3
Mark Jonathon Richards	6	5/6	NA	NA	NA	NA	NA	NA
Gary James Weisman	6	5/6	5	4/5	NA	NA	NA	NA

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, 6/6 means the director attended six meetings out of six meetings he could have attended i.e. 100% attendance.

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Table C

The directors named below are retiring and being eligible, offer themselves for re-election at the next annual general meeting.

Board Member	Date of appointment	Date of last election
Heine Askaer-Jensen	14 November 2011	28 October 2015
Gary James Weisman	28 October 2015	–

Table D

The tables below show the remuneration bands of the Directors and the top five key executives of the Group who are not directors as well as the approximate percentage breakdown of the remuneration.

Remuneration of Directors

Remuneration Band & Name of Director	Base/Fixed Salary(1)	Share Plan(2)	Bonus	Directors' Fees	Other Benefits(3)	Total
\$500,000 to \$750,000						
Mark Jonathon Richards	\$432,000	\$31,680	\$240,000	–	–	\$703,680
Below \$250,000						
Heine Askaer-Jensen	–	\$4,687	–	\$62,000	–	\$66,687
Basil Chan	–	\$4,687	–	\$61,000	–	\$65,687
Gerard Lim Ewe Keng	–	\$4,687	–	\$46,000	–	\$50,687
Gary James Weisman	–	–	–	\$38,000	–	\$38,000

Director fee schedule:

Board member: \$30,000

Chairman of the Board: additional \$11,000

Member of the RMAC: \$8,000

Chairman of the RMAC: additional \$10,000

Member of other Committees: \$4,000

Chairman of other Committees: additional \$5,000

Notes:
(1) Inclusive of Central Provident Fund contributions, other defined contribution plans and other fixed monthly payments.
(2) Amount of fair value of share options amortised in FY2017.
(3) Inclusive of benefits-in-kind.

Remuneration of Top Five Key Executives (who are not Directors)

Remuneration Band & Name of Key Executive	Base/Fixed Salary(1)	Share Plan(2)	Bonus	Directors' Fees	Other Benefits(3)	Total
\$250,000 to \$500,000						
Samuel Henry Compton	70%	2%	23%	–	5%	100%
David Garth Northrop	98%	–	–	–	2%	100%
Paul Mark Wrench	57%	2%	27%	–	14%	100%
Chiam Heng Huat	80%	–	20%	–	–	100%
Allan James Bird	70%	–	9%	–	21%	100%

Total remuneration of the top five key executives was S\$1,856,667.
(1) Inclusive of Central Provident Fund contributions, other defined contribution plans and other fixed monthly payments.
(2) Amount of fair value of share options amortised in FY2017.
(3) Inclusive of benefits-in-kind.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2017.

In our opinion:

(a) the financial statements set out on pages 60 to 110 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 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

	Ordinary Shares		Share Options	
The Company	**Holdings at beginning of year**	**Holdings at end of year**	**Holdings at beginning of year**	**Holdings at end of year**
Heine Askaer-Jensen*	501,500	501,500	200,000	200,000
Basil Chan*	101,500	301,500	200,000	–
Gerard Lim Ewe Keng*	12,000	12,000	200,000	200,000
Mark Jonathon Richards*	11,025,400	11,025,400	1,350,000	1,350,000
Gary James Weisman*	275,000	275,000	–	–

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

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

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 July 2017.

DIRECTORS' STATEMENT

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.

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 2016	Options exercised	Options forfeited	Options outstanding at 30 June 2017	Options exercisable at 30 June 2017	Exercise period
2/3/2015	$0.228	800,000	(200,000)	–	600,000	600,000	2/3/2017 to 1/3/2020
2/3/2015	$0.228	2,400,000	–	–	2,400,000	2,400,000	2/3/2017 to 1/3/2025
		3,200,000	**(200,000)**	–	**3,000,000**	**3,000,000**	

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.

DIRECTORS' STATEMENT

The information regarding ESOS are set out as follow:

- 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 2017.

- 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 2017	Aggregate options granted since commencement to 30 June 2017	Aggregate options exercised since commencement to 30 June 2017	Aggregate options forfeited/ expired since commencement to 30 June 2017	Aggregate options outstanding as at 30 June 2017
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 awards or options have been granted to an associate of a controlling shareholder of the Company.

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

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

DIRECTORS' STATEMENT

RISK MANAGEMENT AND AUDIT COMMITTEE

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

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

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

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

The Risk Management and Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

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

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

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

DIRECTORS' STATEMENT

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

28 September 2017

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 2017, the consolidated statement of income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 110.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 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 6 – Intangible assets

The key audit matter	How the matter was addressed in our audit
The Group records goodwill of $7 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 are subject to estimation uncertainties.	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 by comparing them with historical performance and future business plans. • We independently derived applicable discount rate from available industry data and compared this 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.

We found that the historical actual performance fell short of historical forecasts proposed by management. The assumptions and estimates used in the discounted cash flow projections exceeded historical performance. In response, we stress tested the forecasted cashflows and performed sensitivity analyses over certain key assumptions of the CGU.

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

The disclosures (including the estimation uncertainty involved and the impact of a reasonably possible change in key assumptions) have been disclosed in accordance with FRS 36 *Impairment of Assets*.

INDEPENDENT AUDITORS' REPORT

Recognition of revenue and contract work-in-progress

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 and Note 9 – Contractual construction work-in-progress.

The key audit matter	How the matter was addressed in our audit

The Group's largest revenue stream is derived from construction contracts which accounts for revenue based on the stage of completion of individual contracts. The stage of completion is determined by reference to the labour hours incurred to date compared to the estimated total labour hours to complete each contract.
 	
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:
 	
• Total labour hours of delivering the entire contract;
 	
• Budgeted total costs attributable to the percentage of work to be recognised in income statement; and
 	
• Foreseeable losses, if any.
	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 labour hours incurred.
	
	• We assessed the reliability of management's estimation of the budgeted labour hours and budgeted costs by comparing the final outcomes of the contracts completed during the year to previous estimates of labour hours and costs of those contracts.
	
	• For a sample of contract work-in-progress, we assessed the appropriateness of the percentage of completion determined and therefore the revenue, profit and contract work in progress recognised by:
	
	  • Assessing the adequacy of budgeted labour hours and budgeted contract costs by comparing them with the actual costs incurred to-date and the final outcomes of the completed contracts of the same model.
	
	  • Where applicable, identifying any changes in assumptions and estimates applied in the budget from previous years and evaluated the reasons provided by management for the changes;
	
	  • Examine the accuracy of actual hours incurred by validating to supporting documents;
	
	  • Assessing the reasonableness of revenue/costs recognised in income statement with reference to the percentage of completion determined; and
	
	  • Enquiring with management on the progress of construction to identify possible delays or cost overruns that may require revision in budgeted contract costs or a provision for foreseeable losses.
	
	• We considered the adequacy of the Group's disclosure in describing the areas of judgement and estimation uncertainties involving revenue recognition and contract work-in-progress.

INDEPENDENT AUDITORS' REPORT

Findings: We found that the budgeted labour hours and budgeted contract costs were underestimated by management. Management has corrected the budgeted labour hours and costs at year end. Thereafter, the results of our evaluation of the Group's revenue recognition is consistent with management's assessment. We found the disclosures to be compliant in accordance with FRS 11 *Construction Contracts*.

Other information

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

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT

Auditors' responsibilities for the audit of the financial statements

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

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

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

- 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.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 September 2017

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	4	21,073	19,080	–	–
Subsidiaries	5	–	–	40,101	29,712
Intangible assets	6	8,949	8,595	–	–
Deferred tax assets	7	1,203	1,438	–	–
		31,225	29,113	40,101	29,712
Current assets					
Inventories	8	16,172	12,464	–	–
Trade and other receivables	10	2,968	4,712	2,527	10,016
Prepayments	11	1,112	1,480	14	14
Current tax recoverable		144	–	–	–
Debt securities held-for-trading	12	–	302	–	302
Cash and cash equivalents	13	15,871	16,350	96	1,227
		36,267	35,308	2,637	11,559
Total assets		67,492	64,421	42,738	41,271
Current liabilities					
Trade and other payables	14	17,184	12,743	320	239
Hire purchase payable		–	20	–	–
Provision for warranty claims	15	1,169	1,181	–	–
Interest bearing loan and borrowing	16	393	752	–	–
Current tax payables		252	315	–	–
		18,998	15,011	320	239
Non-current liabilities					
Deferred tax liabilities	7	936	1,105	–	–
Interest bearing loan and borrowing	16	2,343	2,830	–	–
		3,279	3,935	–	–
Total liabilities		22,277	18,946	320	239
Capital and reserves					
Share capital	17	43,045	42,999	43,045	42,999
Share-based compensation reserve	18	359	323	359	323
Foreign currency translation reserve	19	(27,577)	(26,714)	–	–
Accumulated profits/(losses)		29,388	28,867	(986)	(2,290)
Total equity		45,215	45,475	42,418	41,032
Total equity and liabilities		67,492	64,421	42,738	41,271

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

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue	20	58,701	58,667
Cost of sales		(48,173)	(48,470)
Gross profit		10,528	10,197
Selling and marketing expenses		(5,393)	(4,548)
Administrative expenses		(3,912)	(3,862)
Other operating expense, net		(576)	(628)
Total operating expenses		(9,881)	(9,038)
Profit from operations		647	1,159
Other non-operating income, net	21	428	109
Finance cost		(145)	–
Profit before tax	21	930	1,268
Tax (expense)/credit	23	(409)	702
Profit for the year attributable to owners of the Company		521	1,970
		Cents	**Cents**
Earnings per share			
– Basic	24	0.28	1.07
– Diluted	24	0.28	1.07

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2017

	2017 $'000	2016 $'000
Profit for the year	521	1,970
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation differences relating to financial statements of foreign subsidiaries	(863)	(1,431)
Other comprehensive loss for the year, net of income tax	(863)	(1,431)
Total comprehensive (loss)/income for the year attributable to owners of the Company	(342)	539

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2017

	Note	Share capital $'000	Share-based compensation reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000
Group						
At 1 July 2016		42,999	323	(26,714)	28,867	45,475
Total comprehensive income for the year						
Profit for the year		–	–	–	521	521
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries		–	–	(863)	–	(863)
Total other comprehensive income		–	–	(863)	–	(863)
Total comprehensive income for the year		–	–	(863)	521	(342)
Transactions with others, recorded directly in equity						
Insurance of ordinary shares pursuant to shore options exercised	17	46	–	–	–	46
Share-based payments	21	–	90	–	–	90
Share-based plan settled in cash	22	–	(54)	–	–	(54)
Total transactions with owners		46	36	–	–	82
At 30 June 2017		43,045	359	(27,577)	29,388	45,215

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

Year ended 30 June 2017

	Share capital $'000	Share-based compensation reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000
Group					
At 1 July 2015	42,999	190	(25,283)	26,897	44,803
Total comprehensive income for the year					
Profit for the year	–	–	–	1,970	1,970
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	(1,431)	–	(1,431)
Total other comprehensive income	–	–	(1,431)	–	(1,431)
Total comprehensive income for the year	–	–	(1,431)	1,970	539
Transactions with owners, recorded directly in equity					
Share-based payments	–	133	–	–	133
Total transactions with owners	–	133	–	–	133
At 30 June 2016	42,999	323	(26,714)	28,867	45,475

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2017

	Note	Group 2017 $'000	Group 2016 $'000
Cash flows from operating activities			
Profit after tax		521	1,970
Adjustments for:			
Depreciation of property, plant and equipment		2,914	2,725
Amortisation of intangible assets		136	219
Property, plant and equipment written off		1	–
Reversal of impairment loss on property		–	(222)
Allowance made for inventories obsolescence		144	1,017
Interest income		(75)	(77)
Interest expense		145	–
Provision for warranty claims		946	830
Fair valuation loss on debt securities held-for-trading		2	8
Equity-settled share-based compensation		36	133
Tax expense/(credit)		409	(702)
Unrealised foreign exchange gain		(304)	(295)
		4,875	5,606
Changes in working capital:			
Increase in inventories		(4,379)	(773)
Decrease/(increase) in trade and other receivables		1,686	(367)
Decrease in prepayments		317	113
Increase in trade and other payables		4,174	3,307
Net cash generated from operations		6,673	7,886
Net income taxes paid		(656)	(565)
Warranty claims paid		(906)	(870)
Net cash from operating activities		5,111	6,451
Cash flows from investing activities			
Interest received		68	59
Proceeds from matured debt securities held-for-trading		300	–
Acquisition of a subsidiary		–	(3,985)
Purchase of property, plant and equipment		(5,572)	(7,983)
Restricted cash		–	4,800
Net cash used in investing activities		(5,204)	(7,109)
Cash flows from financing activities			
Repayment of hire purchase liability		(20)	(7)
Interest paid		(141)	–
Proceeds from issue of shares		46	–
(Repayment of)/proceeds from bank borrowing		(698)	362
Net cash (used in)/from financing activities		(813)	355
Net decrease in cash and cash equivalents		(906)	(303)
Cash and cash equivalents at beginning of year		16,214	16,754
Effect of exchange rate changes on balances held in foreign currency		433	(237)
Cash and cash equivalents at end of year	13	15,741	16,214

SIGNIFICANT NON-CASH TRANSACTION

In 2016, a subsidiary of the Group renewed its lease of the manufacturing yard in Johor and the renewal consideration was partially funded by bank borrowings of $3.6 million, out of which of $3.24 million was paid directly to a government agency by a lender.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 September 2017.

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 5 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 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

2 **BASIS OF PREPARATION** (continued)

2.4 Use of estimates and judgements (continued)

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

Critical judgement

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

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

b. **Revenue recognition**

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

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

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

d. **Recognition of deferred tax assets**

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

Key sources of estimation uncertainty

a. **Depreciation of property, plant and equipment**

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 30 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.

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

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 6.

c. Measurement for provision for warranty claims

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

d. Recognition of revenue using percentage of completion method

The Group recognises revenue on construction contract based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to the hours incurred to date and the estimated total hours for each contract. Significant estimates are required in determining the appropriate stage of completion by estimating the budgeted total hours and total cost to complete and, in estimating a reasonable profit margin for each contract for revenue and costs recognition. Revenue from construction contract is disclosed in Note 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 8.

f. Measurement of allowance for inventories obsolescence

The Group reviews the inventories for their usability and indicators of obsolescence and provide allowance for inventory obsolescence when necessary to estimate the net realisable value of these inventories. This requires management to make estimates regarding the expected utilisation, level of demand and indicators of obsolescence based on past utilisation of similar inventories and their usage pattern. The allowance made for inventories obsolescence is disclosed in Note 8.

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

g. Capitalisation of Moulds

Mould constructions are either out-sourced or done in-house. Contract costs are capitalised when mould construction are outsourced. Materials, labour hours and an appropriate share of production overheads are capitalised when mould constructions are performed in-house. Significant judgement may be required in determining the labour hours used in the construction of moulds in instances where mould development and boat production are performed concurrently. The carrying amount of the Group's tooling and moulds are set out in Note 4.

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.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combination

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Business combination (continued)

The Group measures goodwill at the acquisition date as the excess of the fair value of the consideration transferred over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration meets the definition of financial instrument is classified as equity, it is not 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 securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries

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

Transactions eliminated on consolidation

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

Subsidiaries in the separate financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

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

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

3.3 Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 **SIGNIFICANT ACCOUNTING POLICIES** (continued)

3.3 Property, plant and equipment (continued)

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

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

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

The estimated useful lives are as follows:

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

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

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

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

3.4 Intangible assets and goodwill

Goodwill

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in Note 3.1.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Intangible assets and goodwill (continued)

Trademarks

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

Order backlog

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

3.5 Financial instruments

Non-derivative financial assets

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

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

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

The Group's non-derivative financial assets comprise loans and receivables and debt securities held-for-trading.

Loans and receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Non-derivative financial assets (continued)

Loans and receivables (continued)

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

Held-for-trading

Financial instruments held-for-trading are classified as current assets and are measured at fair value, with any resultant gain or loss recognised in profit or loss.

Financial assets classified as held-for-trading comprise debt securities.

Non-derivative financial liabilities

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

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

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

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

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.

3.6 Impairment

Non-derivative financial assets

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

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

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

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

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

Non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment (continued)

Non-financial assets (continued)

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

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

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

3.7 Inventories

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Construction contracts in progress

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

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

3.9 Provisions

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

Provision for warranty claims

The warranty provision represents the best estimate of the Company’s contractual obligations at the balance sheet date. Under the terms of the revenue contracts with customers, the Company is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The warranty obligation is for 1 year. The Company’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 Company’s past claim experience in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales.

3.10 Employee benefits

Defined contribution plans

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Employee benefits (continued)

Share-based compensation transactions

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

Termination benefits

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

3.11 Revenue recognition

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is measured by reference to the hours incurred to date and the estimated total hours for each contract. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately in profit or loss.

Sale of stock boats and spare parts

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

Rendering of services

Revenue is recognised when services rendered to boats are completed.

Revenue from boat brokerage

Revenue is recognised when the brokerage deal is finalised.

Rental income

Rental income from the leasing of vacant land is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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 other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Operating leases

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

3.14 Interest income

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

3.15 Foreign currency gains and losses

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

3.16 Finance cost

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

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

3.17 Earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Segment reporting

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

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

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

3.19 Financial Guarantee Contracts

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

4 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings on leasehold land $'000	Leasehold land $'000	Plant and machinery $'000	Furniture, fixtures and equipment $'000	Toolings and moulds $'000	Motor vehicles and work boats $'000	Assets under construction $'000	Total $'000
Cost								
At 1 July 2015	9,713	2,115	4,828	4,483	23,341	162	1,415	46,057
Additions	448	6,396	495	452	27	22	3,381	11,221
Reclassification	–	–	–	–	3,159	–	(3,159)	–
Write-off	–	–	(1)	(49)	–	–	–	(50)
Translation adjustment	(561)	(154)	(278)	(242)	(1,110)	(9)	(83)	(2,437)
At 30 June 2016	9,600	8,357	5,044	4,644	25,417	175	1,554	54,791
At 1 July 2016	9,600	8,357	5,044	4,644	25,417	175	1,554	54,791
Additions	1,391	–	654	1,316	73	101	2,037	5,572
Disposal	–	–	–	(5)	–	(24)	–	(29)
Reclassification	–	–	111	–	2,854	–	(2,965)	–
Write-off	–	–	–	(2)	–	–	–	(2)
Translation adjustment	(425)	(366)	(226)	(176)	(691)	(4)	(58)	(1,946)
At 30 June 2017	10,566	7,991	5,583	5,777	27,653	248	568	58,386

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Note	Buildings on leasehold land $'000	Leasehold land $'000	Plant and machinery $'000	Furniture, fixtures and equipment $'000	Toolings and moulds $'000	Motor vehicles and work boats $'000	Assets under construction $'000	Total $'000
Accumulated depreciation and impairment losses									
At 1 July 2015		6,236	1,476	4,227	4,135	18,887	130	–	35,091
Charge for the year	21	461	83	134	157	1,875	15	–	2,725
Reversal of impairment loss	21	(222)	–	–	–	–	–	–	(222)
Write-off		–	–	(1)	(49)	–	–	–	(50)
Translation adjustment		(360)	(85)	(234)	(223)	(924)	(7)	–	(1,833)
At 30 June 2016		6,115	1,474	4,126	4,020	19,838	138	–	35,711
At 1 July 2016		6,115	1,474	4,126	4,020	19,838	138	–	35,711
Charge for the year	21	68	183	57	262	2,322	22	–	2,914
Disposal		–	–	–	(5)	–	(24)	–	(29)
Write-off		–	–	–	(1)	–	–	–	(1)
Translation adjustment		(267)	(67)	(176)	(140)	(628)	(4)	–	(1,282)
At 30 June 2017		5,916	1,590	4,007	4,136	21,532	132	–	37,313
Carrying amounts									
At 1 July 2015		3,477	639	601	348	4,454	32	1,415	10,966
At 30 June 2016		3,485	6,883*	918	624	5,579	37	1,554	19,080
At 30 June 2017		4,650	6,401*	1,576	1,641	6,121	116	568	21,073

- The leasehold land is charged against the bank borrowings (see Note 16).

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.

Reversal of impairment

In 2016, due to the growth in the Malaysia property market, the Group noted the recoverable amount of its five-storey apartment in Johor, Malaysia, based on fair value less cost to sell as at reporting date was $670,800. Accordingly, $222,000 of impairment loss was reversed and recognised in cost of sales. The fair value was determined by an independent valuer, who holds a recognised professional qualification.

The valuation was based on market comparison method and categorised within level 2 of the fair value hierarchy, which is based on observable inputs for the asset, either directly or indirectly. Key inputs comprise prices per square feet for comparable buildings within the vicinity.

5 **SUBSIDIARIES**

		Company	
	Note	**2017**	**2016**
		$'000	**$'000**
Unquoted ordinary shares, at cost		16,902	16,902
Unquoted preference shares, at cost		12,810	12,810
		29,712	29,712
Amounts due from a subsidiary (non-current)		10,389	–
		40,101	29,712

The non-current amounts due from a subsidiary of $10,389,000 are unsecured and the settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substances, part of the Company's net investment in the subsidiary, therefore are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

5 SUBSIDIARIES (continued)

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

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Company 2017 %	2016 %
+ 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 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 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 Australia Pty Ltd	Inactive	Australia	100	100
@ Palm Beach Motor Yacht Co Pty Ltd	The subsidiary operates the manufacturing plant in Australia and sells the manufactured yachts to the Singapore subsidiary and 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.

6 INTANGIBLE ASSETS

	Note	Goodwill $'000	Club memberships $'000	Trademarks $'000	Order backlog $'000	Total $'000
Group						
Cost						
At 1 July 2015		6,930	68	2,430	474	9,902
Translation adjustment		(205)	(3)	(76)	(15)	(299)
At 30 June 2016		6,725	65	2,354	459	9,603
At 1 July 2016		6,725	65	2,354	459	9,603
Translation adjustment		384	1	126	28	539
At 30 June 2017		7,109	66	2,480	487	10,142
Accumulated amortisation						
At 1 July 2015		–	68	373	378	819
Amortisation	21	–	–	127	92	219
Translation adjustment		–	(3)	(16)	(11)	(30)
At 30 June 2016		–	65	484	459	1,008
At 1 July 2016		–	65	484	459	1,008
Amortisation	21	–	–	136	–	136
Translation adjustment		–	1	20	28	49
At 30 June 2017		–	66	640	487	1,193

	Goodwill $'000	Club memberships $'000	Trademarks $'000	Order backlog $'000	Total $'000
Group					
Carrying amounts					
At 1 July 2015	6,930	–	2,057	96	9,083
At 30 June 2016	6,725	–	1,870	–	8,595
At 30 June 2017	7,109	–	1,840	–	8,949

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

Trademark and order backlog arise from the acquisition of Palm Beach Motor Yacht Co Pty Ltd ('PBMY'). The acquired trademark relates to Palm Beach trademark and is amortised over a useful life of 16 years. Order backlog pertains to production backlog arising from sales orders and are amortised to the profit or loss based on the realisation of sales from these backlog.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

6 INTANGIBLE ASSETS (continued)

Impairment tests for cash-generating units containing goodwill

Goodwill arises from the acquisition of PBMY. For the purpose of impairment testing, goodwill of $7,109,000 (2016: $6,725,000) 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. Cash flows projection used in the value-in-use calculation was based on a three-year (2016: one-year period) financial budget approved by management. Cash flows beyond the three-year period (2016: one-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	
	2017	**2016**
	%	%
Compounded annual revenue growth rate	2.5	4.7
Average gross profit margin	24.5	26.0
Terminal value growth rate	0	0
Discount rate (pre-tax)	16.1	16.6

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

Management has identified that a reasonably possible change in the average gross profit margin could cause the carrying amount to exceed the recoverable amount. A 1% reduction in the average gross profit margin would result in the recoverable amount to exceed its carrying amount by $7,912,000 (2016: $14,362,000). The average gross profit margin would need to reduce by 2% (2016: 4%) for the estimated recoverable amount to be equal to the carrying amount.

A reasonable change to the compounded revenue growth rate, discount rate and terminal value growth rate would not significantly affect the results.

7 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Property, plant and equipment	–	(180)	385	544
Intangible assets	–	–	551	561
Trade and other payables	(211)	(319)	–	–
Tax losses and capital allowance	(992)	(939)	–	–
Deferred tax (assets)/liabilities	(1,203)	(1,438)	936	1,105

7 **DEFERRED TAX ASSETS AND LIABILITIES** (continued)

Recognised deferred tax assets and liabilities (continued)

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

	At 1 July 2015 $'000	Recognised in profit or loss (Note 23) $'000	Translation adjustment $'000	At 1 July 2016 $'000	Recognised in profit or loss (Note 23) $'000	Translation adjustment $'000	At 30 June 2017 $'000
Group							
Deferred tax (assets)/ liabilities							
Property, plant and equipment and intangible assets	1,536	(362)	(249)	925	(41)	52	936
Trade and other payables	(237)	(89)	7	(319)	124	(16)	(211)
Tax losses and capital allowance	–	(944)	5	(939)	(95)	42	(992)
Net deferred tax (assets)/liabilities	1,299	(1,395)	(237)	(333)	(12)	78	(267)

Unrecognised deferred tax assets

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

	Group 2017 $'000	Group 2016 $'000
Deductible temporary differences	4,038	4,710
Unutilised tax losses	21,864	23,037
Unutilised capital allowances	4,078	4,479
	29,980	32,226

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 not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

8 INVENTORIES

	Group 2017 $'000	Group 2016 $'000
Raw materials and components	9,413	10,217
Allowance for inventory obsolescence	(2,117)	(2,241)
	7,296	7,976
Stock boats	4,885	1,067
Work-in-progress for stock boats	3,991	3,421
	16,172	12,464

In 2017, changes in raw materials and components, stock boats and work-in-progress included in cost of sales amounted to $45,600,900 (2016: $46,157,600).

During the year, the Group reviewed the usability of the raw materials and made a provision for inventory obsolescence amounting to $144,000 (2016: $1,017,000).

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. 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, 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.

9 CONTRACTUAL CONSTRUCTION WORK-IN-PROGRESS

	Note	Group 2017 $'000	Group 2016 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date		27,995	16,185
Progress billings		(31,454)	(19,475)
		(3,459)	(3,290)
Presented as:–			
Unbilled receivables on contract work-in-progress	10	2,496	3,185
Deferred income on contract work-in-progress	14	(5,955)	(6,475)
		(3,459)	(3,290)

10 TRADE AND OTHER RECEIVABLES

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade receivables		16	1,552	–	–
Less: Allowance for doubtful debts	(i)	–	(581)	–	–
		16	971	–	–
Unbilled receivables on contract work-in-progress	9	2,496	3,185	–	–
Refundable deposits		124	93	–	–
Interest receivable		24	26	–	9
Other receivables		308	437	–	–
Amounts due from subsidiaries (non-trade)	(ii)	–	–	2,527	10,007
		2,968	4,712	2,527	10,016

(i) The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group 2017 $'000	Group 2016 $'000
Beginning of the year	581	581
Utilised during the year	(581)	–
End of the year	–	581

An outstanding trade receivables of $581,000 was fully provided as at 30 June 2016. These amount was past due for more than 12 months. In 2017, the allowance made on $581,000 was fully utilised.

The remaining balances are not past due.

(ii) 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.

11 PREPAYMENTS

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Payments in advance for purchases of raw materials and components	771	997	–	–
Prepaid operating expenses	341	483	14	14
	1,112	1,480	14	14

12 DEBT SECURITIES HELD-FOR-TRADING

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
3.75% (2016: 3.75%) p.a. SGD government bond due 1 September 2016	–	302	–	302

The government bond matured during the year and the Group received $300,000 from the issuer on maturity.

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash and bank balances	3,716	5,066	96	227
Short-term deposits	12,155	11,284	–	1,000
Cash and cash equivalents in the statements of financial position	15,871	16,350	96	1,227
Deposits pledged	(130)	(136)	–	–
Cash and cash equivalents in the statement of cash flows	15,741	16,214	96	1,227

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 (2016: 5 to 365 days) and earn interest at rates generally higher than those earned by cash and bank balances.

14 TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Trade payables		3,607	1,448	–	–
Refundable deposit		340	598	–	–
Accrued operating expenses		5,552	4,209	320	239
Financial liabilities		9,499	6,255	320	239
Deferred income on contract work-in-progress	9	5,955	6,475	–	–
Advance payments received from customers before the related construction work is performed		1,730	13	–	–
		17,184	12,743	320	239

15 PROVISION FOR WARRANTY CLAIMS

	Note	Group 2017 $'000	Group 2016 $'000
Beginning of the year		1,181	1,295
Provision made during the year	21	946	830
Claims expanded during the year		(906)	(870)
Translation adjustment		(52)	(74)
End of the year		1,169	1,181

The provision for warranty is set up to cover the estimated liability which may arise during the warranty period in respect of warranty claims for the sale of completed yachts. The provision is based on historical warranty data. The Group expects to incur the liability over the next year.

16 INTEREST BEARING LOAN AND BORROWING

	Group 2017 $'000	Group 2016 $'000
Secured bank loan		
– Current	393	752
– Non-current	2,343	2,830
	2,736	3,582

As at 30 June 2017, a subsidiary of the Group has bank borrowing of $2,736,000 (2016: $3,582,000). The bank loan is denominated in Malaysia Ringgit and is secured over leasehold land of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia with a carrying amount of $6,401,000 (2016: $6,883,000) (see Note 4) 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.

The secured bank loans bear an interest rate ranging from 5.15% to 5.35% (2016: 5.35% to 6.85%) per annum and are repayable between year 2017 to 2023 (2016: 2016 to 2023). Interest rates are repriced within the year.

17 SHARE CAPITAL

	Note	2017 Number of shares '000	2017 $'000	2016 Number of shares '000	2016 $'000
Fully paid:					
Beginning of the year		184,034	42,999	184,034	42,999
Issue of ordinary shares	22	200	46	–	–
End of the year		184,234	43,045	184,034	42,999

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.

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Year ended 30 June 2017

17 SHARE CAPITAL (continued)

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.

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

	Group	
	2017	**2016**
	$'000	**$'000**
Revenue from construction contracts	49,076	48,999
Revenue from boat brokerage	1,657	997
Rendering of services	74	177
Sales of stock boats	7,615	8,207
Sales of parts	279	287
	58,701	58,667

21 PROFIT BEFORE TAX

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

	Note	Group 2017 $'000	Group 2016 $'000
Wages, salaries and other employee benefits		21,320	17,149
Contributions to defined contribution plans, included in wages and salaries related costs		1,232	1,000
Equity-settled share-based compensation, included in wages and salaries related costs		90	133
Allowances made for inventories obsolescence	8	144	1,017
Property, plant and equipment written off	4	1	–
Depreciation of property, plant and equipment	4	2,914	2,725
Reversal of impairment loss on property	4	–	(222)
Amortisation of intangible assets	6	136	219
Provision for warranty claims	15	946	830
Selling and marketing expenses – advertising		209	169
Selling and marketing expenses – boat demonstrations, exhibition and events		1,275	1,279
Auditors' remuneration			
– auditors of the Company		174	140
– overseas affiliates of KPMG LLP		95	83
Non-audit fees paid to:			
– auditors of the Company		54	163
– overseas affiliates of KPMG LLP		4	3
Operating lease expenses		418	443
Other non-operating (income)/expense, net			
Foreign exchange (gain)/loss, net		(93)	248
Interest income			
– bank		(73)	(66)
– others		(2)	(11)
Rental income		(137)	(150)
Fair valuation loss on debt securities held-for-trading		2	8
Government subsidy		(79)	(114)
Others		(46)	(24)
		(428)	(109)

22 SHARE-BASED COMPENSATION

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

The Group has the following share-based payment arrangements:

PSP (equity-settled)

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

During the year, the Group charged $15,000 (2016: $23,000) to the profit or loss based on the fair value of the share awards at the grant date being expensed over the vesting period.

The share awards have fully vested on 1 March 2017 and the Group released the shares award in cash of $54,000.

ESOS (equity-settled)

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

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 2016	Options exercised	Options forfeited	Options outstanding at 30 June 2017	Options exercisable at 30 June 2017	Exercise period
2017							
2/3/2015	$0.228	800,000	(200,000)	–	600,000	600,000	2/3/2017 to 1/3/2020
2/3/2015	$0.228	2,400,000	–	–	2,400,000	2,400,000	2/3/2017 to 1/3/2025
		3,200,000	**(200,000)**	**–**	**3,000,000**	**3,000,000**	
2016							
2/3/2015	$0.228	800,000	–	–	–	800,000	2/3/2017 to 1/3/2020
2/3/2015	$0.228	2,650,000	–	(250,000)	–	2,400,000	2/3/2017 to 1/3/2025
		3,450,000	**–**	**(250,000)**	**–**	**3,200,000**	

The share price for the share options exercised in 2017 was $0.30. No share options were exercised in 2016.

22 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	5 years	10 years
Date of grant of options	2 March 2015	2 March 2015
Fair value at grant date	$0.0703	$0.0704
Share price at grant date	$0.23	$0.23
Exercise price	$0.228	$0.228
Expected volatility	56%	56%
Option life (expected exercise period)	2.56 years	3.33 years
Expected dividends	1%	1%
Risk-free interest rate (based on government bonds)	1.14%	1.29%

During the year, the Group charged $75,000 (2016: $110,000) to the profit or loss based on the fair value of the share options at the grant date being expensed over the vesting period.

23 TAX EXPENSE/(CREDIT)

	Group	
	2017	**2016**
	$'000	**$'000**
Current tax		
Current year	440	723
Over provision in prior years	(19)	(30)
	421	693
Deferred tax		
Origination and reversal of temporary differences	505	(269)
Recognition of tax effect of previously unrecognised tax losses and capital allowance	(706)	(1,126)
Under provision in prior years	189	–
	(12)	(1,395)
Tax expenses/(credit)	409	(702)

23 TAX EXPENSE/(CREDIT) (continued)

	Group	
	2017	**2016**
	$'000	**$'000**
Reconciliation of effective tax rate		
Profit before tax	930	1,268
Tax at the domestic rates applicable to profits in the countries where the Group operates	544	593
Adjustments:		
Non-deductible expenses	43	323
Non-taxable income	–	(37)
Deferred tax assets not recognised	373	291
Utilisation of deferred tax assets previously not recognised	(105)	(747)
Recognition of previously unrecognised capital allowance and tax losses	(706)	(1,126)
Under/(Over) provision in prior years	170	(30)
Others	90	31
	409	(702)

24 EARNINGS PER SHARE

Basic earnings per share

	Group	
	2017	**2016**
Basic earnings per share is based on:		
Profit for the year ($'000)	521	1,970
Number of shares outstanding at beginning of the year ('000)	184,034	184,034
Effect of shares issued during the year ('000)	56	–
Effect of potential ordinary shares issued to employee under PSP during the year ('000)	–	200
Weighted average number of ordinary shares at the end of the year ('000)	184,090	184,234

Diluted earnings per share

	Group	
	2017	**2016**
Diluted earnings per share is based on:		
Profit for the year ($'000)	521	1,970
Number of shares outstanding at beginning of the year ('000)	184,034	184,034
Effect of shares issued during the year ('000)	56	–
Effect of potential ordinary shares issued to employee under PSP during the year ('000)	–	200
Weighted average number of unissued ordinary shares from share options	3,000	–*
Weighted average number of ordinary shares that would have been issued at average market price under the share options plan	(2,557)	–*
Weighted average number of ordinary shares at the end of the year ('000)	184,533	184,234

* In 2016, 3,200,000 share options potentially issuable to participating employees and executives under the ESOS were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

25 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	
	2017	2016
	$'000	$'000
Short-term benefits	1,131	1,240
Contribution to defined contribution plans	53	60
Termination benefits	–	193
Fair value of share based compensation	46	83
	1,230	1,576

Transactions

The Chief Executive Officer leased his property in Australia to PBMY for the use as manufacturing facility. The total rental paid by the Group was $252,000 (2016: $243,000).

In 2016, one director engaged boat servicing from a subsidiary and the amount paid by the director was $81,000.

26 COMMITMENTS

Operating lease commitments

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

	Group	
	2017	2016
	$'000	$'000
Payable:		
Within 1 year	389	317
After 1 year but within 5 years	623	25
	1,012	342

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

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.

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

Credit risk

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

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

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

The maximum exposure to credit risk is the carrying amount of each financial asset on the balance sheet.

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.

27 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

Liquidity risk (continued)

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

	Note	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group						
2017						
Trade and other payables*	14	9,499	9,499	9,499	–	–
Interest bearing loan and borrowing	16	2,736	3,194	525	2,100	569

	Note	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group						
2016						
Trade and other payables*	14	6,255	6,255	6,255	–	–
Interest bearing loan and borrowing	16	3,582	4,230	915	2,210	1,105
Hire purchase payable		20	20	20	–	–
Company						
2017						
Trade and other payables	14	320	320	320	–	–
2016						
Trade and other payables	14	239	239	239	–	–

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

The principal risk to which the Company is exposed is credit risk in connection with guarantee contract it has issued. The credit risk represents the loss that would be recognised upon a default by the parties 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 party 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).

Year ended 30 June 2017

27 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

Interest rate risk

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

		Group		Company	
		Carrying amount		Carrying amount	
	Note	2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Fixed rate instruments					
Debt securities held-for-trading	12	–	302	–	302
Variable rate instruments					
Cash and cash equivalents	13	15,871	16,350	96	1,227
Interest bearing loan and borrowing	16	(2,736)	(3,582)	–	–
		13,135	12,768	96	1,227

Sensitivity analysis

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
100 bp increase				
Increase in profit before tax	131	128	1	12

There is no impact on other components of equity.

Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The Group's gross exposure to foreign currencies is as follow:

	USD $'000	SGD $'000	AUD $'000
Group			
2017			
Financial assets			
Loans and receivables	4	1,019	2,696
Cash and cash equivalents	2,259	54	2,543
Financial liabilities			
Trade and other payables	(1,858)	(2,384)	(840)
Net currency exposure	405	(1,311)	4,399
2016			
Financial assets			
Loans and receivables	1,849	5,815	2,924
Cash and cash equivalents	4,915	260	4,666
Financial liabilities			
Trade and other payables	(5,847)	(16,278)	(49)
Net currency exposure	917	(10,203)	7,541

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

Sensitivity analysis

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

	Profit or loss from operations $'000
Group	
At 30 June 2017	
USD	4
SGD	(13)
AUD	44
At 30 June 2016	
USD	9
SGD	(102)
AUD	75

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

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial assets and financial liabilities

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

	Note	Trading $'000	Loans and receivables $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group						
30 June 2017						
Cash and cash equivalents	13	–	15,871	–	15,871	15,871
Trade and other receivables	10	–	2,968	–	2,968	2,968
		–	18,839	–	18,839	18,839
Trade and other payables*	14	–	–	9,499	9,499	9,499
Interest bearing loan and borrowing	16	–	–	2,736	2,736	2,736
		–	–	12,235	12,235	12,235
30 June 2016						
Cash and cash equivalents	13	–	16,350	–	16,350	16,350
Trade and other receivables	10	–	4,712	–	4,712	4,712
Financial assets classified as held for trading	12	302	–	–	302	302
		302	21,062	–	21,364	21,364
Trade and other payables*	14	–	–	6,255	6,255	6,255
Interest bearing loan and borrowing	16	–	–	3,582	3,582	3,582
		–	–	9,837	9,837	9,837
Company						
30 June 2017						
Cash and cash equivalents	13	–	96	–	96	96
Trade and other receivables	10	–	2,527	–	2,527	2,527
		–	2,623	–	2,623	2,623
Trade and other payables	14	–	–	320	320	320
30 June 2016						
Cash and cash equivalents	13	–	1,227	–	1,227	1,227
Trade and other receivables	10	–	10,016	–	10,016	10,016
Financial assets classified as held for trading	12	302	–	–	302	302
		302	11,243	–	11,545	11,545
Trade and other payables	14	–	–	239	239	239

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

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial assets and financial liabilities (continued)

Debt- securities held-for-trading

The fair values of debt securities held-for-trading are based on broker quotes. The Group has categorised debt securities held-for-trading as Level 2 of the fair value hierarchy.

Interest- bearing loan and borrowing

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

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.

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 one operating and reportable segment (2016: one operating and reporting segment) which is the manufacturing & trading segment – comprising manufacturing and sales of yachts to end customers (2016: manufacturing and sales of yachts to end customers).

The operating segment 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 segment, 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.

28 OPERATING SEGMENTS (continued)

	Manufacturing and trading segment		Reconciliation: Corporate		Reconciliation: Adjustments		Consolidated	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue and expenses								
External revenue	58,701	58,667	–	–	–	–	58,701	58,667
Inter-segment revenue	–	–	2,141	–	(2,141)	–	–	–
Total revenue	58,701	58,667	2,141	–	(2,141)	–	58,701	58,667
Segment results*	4,889	4,731	1,302	(596)	(2,141)	–	4,050	4,135
Depreciation and amortisation	(3,050)	(2,944)	–	–	–	–	(3,050)	(2,944)
Interest income	73	66	2	11	–	–	75	77
Interest expense	(145)	–	–	–	–	–	(145)	–
Operating profit/(loss) before tax	1,767	1,853	1,304	(585)	(2,141)	–	930	1,268
Income tax (expense)/credit	(409)	702	–	–	–	–	(409)	702
Segment profit/(loss)	1,358	2,555	1,304	(585)	(2,141)	–	521	1,970
Other material non-cash items:								
Reversal of impairment loss on property	–	222	–	–	–	–	–	222
Allowance made for inventory obsolescence	(144)	(1,017)	–	–	–	–	(144)	(1,017)
Property, plant and equipment written off	(1)	–	–	–	–	–	(1)	–
Provisions for warranty claims	(946)	(830)	–	–	–	–	(946)	(830)
Assets and liabilities								
Segment assets	66,035	61,432	42,738	41,271	(42,628)	(39,720)	66,145	62,983
Tax assets	1,347	1,438	–	–	–	–	1,347	1,438
Segment liabilities	33,685	27,295	320	239	(12,916)	(10,008)	21,089	17,526
Tax liabilities	1,188	1,420	–	–	–	–	1,188	1,420
Capital expenditures	5,572	11,221	–	–	–	–	5,572	11,221

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

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:

	2017	2016
	$'000	$'000
USA	40,346	46,071
Europe*	–	205
Australia	18,355	9,938
Japan	–	2,453
	58,701	58,667

* comprises England

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 $30,022,000 (2016: $27,675,000) are substantially located in Malaysia and Australia (2016: Malaysia and Australia).

Major customer/dealer

There is no concentration of customer in 2017 and 2016.

29 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2016, and have not been applied in preparing these financial statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group in future financial periods, the Group has a project team to assess the transition options and the potential impact on its financial statements, and to implement these standards. Management will provide updates to the Board of Directors on the progress of implementing these standards. The Group does not plan to adopt these standards early.

29 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 115 ***Revenue from Contracts with Customers***	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2019 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	The Group anticipates that the initial application of the new FRS 115 should not result in significant changes to the accounting policies relating to revenue recognition. It is currently impracticable to disclose any further information on the known or reasonably estimable impact on the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment. **Transition** – The Group plans to adopt the standard when it becomes effective in the financial year ending 30 June 2019 using the full retrospective approach. The Group is currently performing a detailed analysis under FRS 115 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.

29 **NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS** (continued)

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 109 ***Financial Instruments***	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments*: *Recognition* and *Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 July 2018.	The Group anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets. It is currently impracticable to disclose any further information on the known or reasonably estimable impact on the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment. **Classification and measurement** – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. **Impairment** – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables. The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements. **Hedge accounting** – The Group does not expect a significant change to hedge accounting policies upon the adoption of FRS 109. **Transition** – The Group plans to adopt the standard when it becomes effective in the financial year ending 30 June 2019 without restating comparative information, and is gathering data to quantify the potential impact arising from the adoption.

29 **NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS** (continued)

New standards

Summary of the requirements	**Potential impact on the financial statements**
Convergence with International Financial Reporting Standards ("IFRS")	
The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.	The Group has yet to complete its detailed assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. The Group anticipates that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this note. **Transition** – The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

29 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

Applicable to the financial statements for financial year ending 30 June 2020

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 116 *Leases*	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Group has yet to assess the possible impact of implementing FRS 116. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment. **Transition** – The Group plans to adopt the standard when it becomes effective in the financial year ending 30 June 2020. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients. The Group expects that the impact on adoption of IFRS 16 *Leases* to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in the financial year ending 30 June 2019 as described above.

STATISTICS OF SHAREHOLDINGS

As at 18 September 2017

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

Directors' Shareholdings
As at 21 July 2017

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

Substantial Shareholders
As at 18 September 2017, shown in Register of Substantial Shareholders

Name of Substantial Shareholders	Shareholdings registered in the name of the Substantial Shareholders	Shareholdings in which the Substantial Shareholders are deemed to have an interest	Total	Percentage of Issued Shares (%)
Exa Limited[(1)]	48,772,897	–	48,772,897	26.47
Tan Sri Lim Kok Thay[(2)]	–	48,772,897	48,772,897	26.47
Golden Hope Limited[(3)]	–	48,772,897	48,772,897	26.47
First Names Trust Company (Isle of Man) Limited[(4)]	–	48,772,897	48,772,897	26.47
Lim Keong Hui[(5)]	–	48,772,897	48,772,897	26.47
Star Cruises Terminal (China) Limited[(6)]	–	48,772,897	48,772,897	26.47
Genting Hong Kong Limited[(7)]	–	48,772,897	48,772,897	26.47
Arminella Pty Ltd (as trustee for SJHA Investment Trust)[(8)]	16,580,778	–	16,580,778	8.99
Sonice Pty Ltd (as trustee for The Springfield Trust)[(9)]	13,828,777	–	13,828,777	7.51
Mark Jonathon Richards	11,025,400	–	11,025,400	5.98

Notes:

(1) 3,039,700 shares are held by DBS Vickers Securities (Singapore) Pte Ltd.

(2) Tan Sri Lim Kok Thay, as beneficiary of a discretionary trust which First Names Trust Company (Isle of Man) Limited is trustee of, is deemed interested in the Shares held by Exa Limited.

(3) Golden Hope Limited, as trustee of Golden Hope Unit Trust, is deemed interested in the Shares held by Exa Limited.

(4) First Names Trust Company (Isle of Man) Limited, as trustee of a discretionary trust, is deemed interested in the Shares held by Exa Limited.

(5) Lim Keong Hui, as beneficiary of a discretionary trust which First Names Trust Company (Isle of Man) Limited is trustee of, is deemed interested in the Shares held by Exa Limited.

(6) Star Cruises Terminal (China) Limited, as the sole shareholder of Exa Limited, is deemed interested in the Shares held by Exa Limited.

(7) Genting Hong Kong Limited, as the sole shareholder of Star Cruises Terminal (China) Limited, is deemed interested in the Shares held by Exa Limited.

(8) 16,580,778 shares are held by Raffles Nominees (Pte) Limited.

(9) 13,828,777 shares are held by DBS Nominees (Private) Limited.

STATISTICS OF SHAREHOLDINGS

As at 18 September 2017

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	108	6.11	1,171	0.00
100 – 1,000	275	15.59	157,880	0.09
1,001 – 10,000	962	54.54	4,346,635	2.36
10,001 – 1,000,000	397	22.51	20,633,743	11.20
1,000,001 AND ABOVE	22	1.25	159,095,220	86.35
Total	**1,764**	**100.00**	**184,234,649**	**100.00**

As at 18 September 2017, approximately 49.0% of the Company's shares were held in the hands of the public. Therefore, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Exa Limited	45,733,197	24.82
2.	DBS Nominees (Private) Limited	20,782,559	11.28
3.	Raffles Nominees (Pte) Limited	17,952,128	9.74
4.	Mark Jonathon Richards	11,025,400	5.98
5.	DBS Vickers Securities (Singapore) Pte Ltd	7,801,800	4.23
6.	Fong Peg Hong	7,300,000	3.96
7.	Citibank Nominees Singapore Pte Ltd	6,284,878	3.41
8.	UOB Kay Hian Private Limited	5,337,550	2.90
9.	ABN Amro Clearing Bank N.V.	4,414,100	2.40
10.	Kwah Yeow Khong	4,000,000	2.17
11.	Goh Guan Siong (Wu Yuanxiang)	3,246,500	1.76
12.	Koh Cheng Keong	3,056,497	1.66
13.	Phillip Securities Pte Ltd	3,013,584	1.64
14.	United Overseas Bank Nominees (Private) Limited	2,971,862	1.61
15.	Ronald Clayton Filbert or Bernice Bernita Filbert	2,714,000	1.47
16.	Cheng Lim Kong	2,400,000	1.30
17.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,290,000	1.24
18.	Teo Hee Huat (Zhang Xifa)	2,273,000	1.23
19.	RHB Securities Singapore Pte Ltd	2,044,200	1.11
20.	Sim Siew Tin Carol (Shen Xiuzhen Carol)	1,815,000	0.99
		156,456,255	**84.90**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at **York Hotel Singapore (Rose Room I & II – Upper Lobby Level), 21 Mount Elizabeth, Singapore 228516 on Thursday, 26 October 2017 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 2017 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$207,000 for the financial year ending 30 June 2018. (2017: S$207,000) *[see Explanatory Note (i)]* **(Resolution 3)**

4) To re-elect Mr. Heine Askaer-Jensen, who is retiring pursuant to Article 86 of the Constitution of the Company and who, being eligible, offers himself for re-election as an Independent Director. **(Resolution 4)**

   Mr Heine Askaer-Jensen will, upon re-election as a Director of the Company, remain as Chairman of the Board, Chairman of Remuneration Committee, a member of the Risk Management and Audit Committee and Nominating Committee, and will be considered independent.

5) To re-elect Mr. Gary James Weisman, who is retiring pursuant to Article 86 of the Constitution of the Company and who, being eligible, offers himself for re-election as an Independent Director. **(Resolution 5)**

   Mr Gary James Weisman will, upon re-election as a Director of the Company, remain as a member of the Risk Management and Audit Committee and will be considered independent.

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, with or without amendments:

7) **Authority to issue shares**

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

   (a) (i) allot and issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

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

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, 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, 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, shall be based on the total number of issued shares, excluding treasury shares, in the capital of the Company at the time that this resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities;

   (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed; and

   (iii) any subsequent bonus issue, consolidation or subdivision of shares;

3. in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

4. unless revoked or varied by the Company in general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
   [see Explanatory Note (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, Cap. 50, authority be and is hereby given to the Directors and/or the Remuneration Committee to grant awards in accordance with the Grand Banks Performance Share Plan 2014 (the "**PSP**"), and/or offer and grant options in accordance with the provisions of the Grand Banks Employee Share Option Scheme 2014 (the "**ESOS**") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the PSP and/or to the exercise of options under the ESOS, provided always that the aggregate number of additional shares to be allotted and issued in respect of all awards granted under the

PSP and all options granted under the ESOS shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) 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
11 October 2017

Explanatory Notes:

(i) Resolution 3, is to approve the payment of an aggregate S$207,000 as Directors' fees for the current financial year, commencing on 1 July 2017 and ending on 30 June 2018, to be paid out quarterly in arrears.

(ii) Resolution 6, if passed, authorises the Directors from the date of this Annual General Meeting up to the date of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held or by which this authority is varied or revoked by the Company in general meeting, whichever is earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding 50% of the issued shares, excluding treasury shares, 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, 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, will be calculated based on the total number of issued shares, excluding treasury shares, 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 general meeting, whichever is earlier, to grant awards under the PSP and to grant options under the ESOS and to allot and issue fully paid-up shares in the capital of the Company, provided that the aggregate number of shares which may be allotted and issued in respect of all awards granted under the PSP and all options granted under the ESOS shall not exceed 15% of the total number of issued shares in the capital of the Company from time to time.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 274 Upper Bukit Timah Road #03-16 Singapore 588213 not less than **twenty-four (24) hours** before the time appointed for the taking of the poll of the Meeting pursuant to Article 76 of the Company's Constitution.

Personal data privacy:

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

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GRAND BANKS YACHTS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 197601189E)

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy **Grand Banks Yachts Limited** shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM
(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:

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

and/or (delete as appropriate)

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

or failing him/her/them*, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at **York Hotel Singapore (Rose Room I & II – Upper Lobby Level), 21 Mount Elizabeth, Singapore 228516 on Thursday, 26 October 2017 at 10.00 a.m.** and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion.

Ordinary Resolutions relating to:	Number of Votes	
	For[1]	Against[1]
Resolution 1 To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2017 together with the Auditors' Report thereon.		
Resolution 2 To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.		
Resolution 3 To approve the payment of Directors' fees of S$207,000 for the financial year ending 30 June 2018.		
Resolution 4 To re-elect Mr. Heine Askaer-Jensen as an Independent Director.		
Resolution 5 To re-elect Mr. Gary James Weisman as an Independent Director.		
Resolution 6 To approve the authority to issue new shares.		
Resolution 7 To approve the 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", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this __________ day of ____________________ 2017.

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

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

* Delete where inapplicable

IMPORTANT: PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM

Notes:

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

   "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;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

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

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 October 2017.

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

ABOUT THIS REPORT

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

The Environmental, Social and Governance (the "ESG") performance presented in this Report covers a three-year period starting from 01 July 2014 and ending on 30 June 2017 unless specified otherwise. ESG data provided in the Report establishes our baseline. This Report does not evaluate performance against established targets. However, we are committed to working towards setting targets and goals for future reporting.

This Report includes consolidated environmental and social performance data from our two manufacturing facilities located in Malaysia and Australia and the head office in Singapore. Employee data covers the entire Group. The Report excludes outsourced services managed by our vendors.

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

This being our first year of sustainability reporting, we faced challenges in gathering data for some indicators. Wherever data is incomplete or not available, a note indicating the limitation has been added in the relevant sections of the Report. We are in the process of implementing more robust data tracking and gathering mechanisms which will enable us to improve reporting in the coming years.

Reporting Process

Grand Banks' Board has the responsibility to provide overall direction for the Company's sustainability strategy and preparing the Report. The Board is assisted by Grand Banks Sustainability Reporting Steering Committee. The Committee, represented by senior management and assisted by external experts, reviews, assesses and determines the sustainability context, material factors, scope, boundary, completeness and prioritization of issues to be included in the Report.

Report Content and Quality

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

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

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

Restatements
This is Grand Banks' first Annual Sustainability Report and therefore restatements are not applicable.

Assurance
We did not seek external assurance for this Report. However, an internal mechanism to ensure accuracy of data reported has been put in place. In addition, CSRWorks International, the consulting firm engaged to prepare this Report has verified samples of data for accuracy.

Availability
This Report, as a part of the Annual Report, is available in PDF form on our website www.grandbanks.com for download. In addition, limited number of hard copies have been printed on FSC certified sustainable paper to minimize the environmental impact.

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

PERFORMANCE SCORECARD

ESG PERFORMANCE (Year ended 30 June)				
MATERIAL ESG FACTORS	**2015**	**2016**	**2017**	**2018 TARGET**
ENVIRONMENTAL				
CO_2e emissions (t)	1,568	1,711	1,808	Improve over prior year
Carbon emmission intensity per $million revenue ($tCO_2e$)	40.0	29.2	30.8	Improve over prior year
Energy intensity per $million revenue (GJ)	229	158	165	Improve over prior year
Electricity used (kWh)	1,893,625	2,140,093	2,283,605	Improve over prior year
Water consumption (m^3)	17,347	12,523	18,319	Improve over prior year
Non-hazardous waste (t)-Malaysia	671	841	724	Improve over prior year
Hazardous waste (t)-Malaysia	11.5	24.0	10.8	Improve over prior year
SOCIAL				
Employees				
Permanent employees	94.7%	96.9%	98.5%	Need-based hiring
Proportion of local employees	92.5%	92.0%	85.0%	Need-based hiring
Direct employees (Production Workers)	82.2%	82.4%	83.8%	Need-based hiring
New hires	155	87	248	Need-based hiring
Female employees (Office functions)	28.4%	29.5%	33.0%	See chapter on Employees
Female employees (Production department)	4.3%	4.3%	3.0%	See chapter on Employees
Average training hours per employee (Female)*	19	11.6	4.8	Need-based training
Average training hours per employee (Male)*	14	13.5	2.5	Need-based training
Employee turnover rate	41.4%	9.9%	15.6%	Improve over prior year
Fatal Accidents	0	0	0	Zero accident
Suppliers				
Share of local suppliers as % of total supplier payments	50.3%	41.8%	44.9%	Maintain

*2015 training data pertains to Malaysia only.

ESG PERFORMANCE (Year ended 30 June)				
MATERIAL ESG FACTORS	**2015**	**2016**	**2017**	**2018 TARGET**
FINANCIAL				
Revenue ($m)	39.2	58.7	58.7	Refer to Annual Report
Net (loss)/profit ($m)	(4.8)	2.0	0.5	Refer to Annual Report
Employee wages and benefits ($m)	14.7	17.1	21.3	See chapter on Employees
Dividends paid to shareholders	None	None	None	Refer to Annual Report

MATERIALITY ASSESSMENT

Our approach is to report on topics that reflect significant economic, environmental and social impacts of our operations or have the potential to substantially influence the assessments and decisions of our stakeholders. We have used the GRI Standards to identify the most material environmental, social and governance (ESG) factors for reporting.

In order to prepare this Report, we undertook a comprehensive materiality assessment of our business operations. It started with an internal materiality assessment and stakeholder mapping workshop facilitated by an external sustainability consultant. The workshop, attended by our senior management, helped us prepare a list of material ESG topics which reflect our impacts on the economy, environment and the society and are important to our stakeholders. The list was further refined using insights gained from a benchmarking study, carried out by independent consultants who examined sustainability practices in the yacht manufacturing sector as well as global and local sustainability megatrends. Insights from our day to day engagement with a range of stakeholders were taken into account to determine priority ESG topics for the reporting purpose.

The identified material ESG factors were reviewed and discussed with the Grand Banks Sustainability Steering Committee, headed by our Chief Executive Officer, and the Board for final approval.

MATERIAL TOPICS AND THEIR BOUNDARY

A summary of Grand Banks' material environmental, social and economic impacts, a description of where the impacts occur, and our involvement with these impacts is presented in the table below. Our indirect involvement indicates the impacts that occur outside Grand Banks such as the value chain where we may have limited or no control.

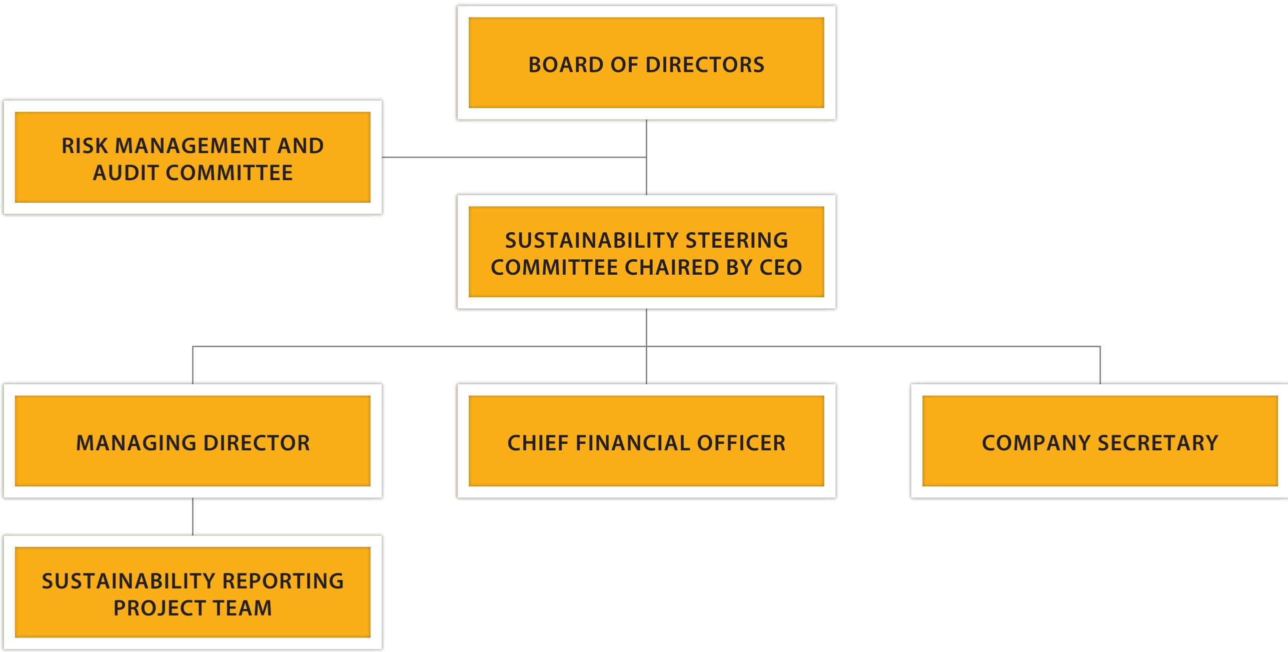
Material Topics (GRI Standards)	**Where the Impacts Occur**	**Our Involvement**	**Material for Grand Banks Subsidiaries**
ENVIRONMENT			
Energy	Own manufacturing activity and during product use by customers	Direct and Indirect	• Grand Banks Yachts Sdn Bhd, Malaysia • Palm Beach Motor Yacht Co Pty Ltd, Australia
GHG emissions	Own manufacturing activity and during product use by customers	Direct and Indirect	
Waste	Own manufacturing activity	Direct	
SOCIAL			
Workplace			
Employment	Grand Banks Group	Direct	All
Diversity and equal opportunity	Grand Banks Group	Direct	All
Human rights	Grand Banks Group	Direct	All
Training and education	Grand Banks Group	Direct	All
Employee turnover	Grand Banks Group	Direct	All
Occupation health and safety	Grand Banks Group	Direct	All

Material Topics (GRI Standards)	Where the Impacts Occur	Our Involvement	Material for Grand Banks Subsidiaries
Marketplace			
Customers service	Grand Banks Group	Direct	All
Product safety	Grand Banks Group and Suppliers	Direct and indirect	All
Procurement Practices	Grand Banks Group	Indirect	All
Anti-corruption	Grand Banks Group	Direct and Indirect	All
Communities			
Local communities	Grand Banks Group	Direct	All
ECONOMIC			
Economic performance	Grand Banks Group	Direct	All
Indirect economic performance	Grand Banks Group	Indirect	All

Sustainability Governance

Grand Banks' Board of Directors provides strategic direction to the management for adopting and implementing sustainability strategies. The Board considers sustainability issues while reviewing and directing the organization's business strategy. The Board is assisted by the Risk Management and Audit Committee which has the responsibility for overseeing the management of ESG issues and sustainability reporting.

At the management level, the Grand Banks Sustainability Steering Committee, headed by the CEO, is responsible for implementing and monitoring policies and practices to achieve sustainability goals and to produce the annual sustainability report for stakeholders. A Sustainability Reporting Project Team represented by the key department heads and executives is responsible for gathering and verifying the necessary data and information for sustainability reporting. The Sustainability Steering Committee and the Project Team are assisted by independent sustainability consultants.



Board Statement

The Board of Grand Banks Yachts Limited considers sustainability issues as part of strategic formulation. The Board endorses the material Environmental, Social and Governance (ESG) factors presented in this Report. The Board also provides oversight of the management and monitoring of these material ESG factors, through periodic review of the key performance indicators.

STAKEHOLDERS

A constructive engagement with all stakeholders is absolutely crucial for meeting our business goals and aspirations.

We interact with a wide range of stakeholders in the course of our business. Many of these stakeholders play an important role in how we innovate, develop, manufacture and sell world-class yachts and how we grow our business around the world. Feedback and insights from our stakeholders make our decisions better and help us meet their expectations. We also actively engage with stakeholder groups whose opinions are important for our business or who are potentially impacted by our operations.

We believe in constructive engagement with an aim to build long term trust and goodwill with our stakeholders. Members of our management team have an ongoing engagement with stakeholders they interact with. Insights from these interactions are often shared between the management executives to make informed decisions and develop strategies.

Views of some of the most crucial stakeholders such as employees and customers are included in the respective chapters of this report.

A description of our important stakeholders, their expectations and how we engage with them and address their concerns is presented below.

Stakeholder Groups	Stakeholders' expectations	How we engage	How we address expectations
Customers	Quality, value, reliability, safety, on time delivery, service.	Boat shows, owners events, direct marketing, factory visits.	By implementing stringent quality and safety features in our boats, complying with international quality and safety regulations, adopting efficient production planning, using high quality material and components.
Employees	Treated with respect, fair employment policies, competitive wages, work-life balance, recognition, personal development and career growth, and safe working conditions.	Joint Consultative Committee (JCC)/ town hall meetings, newsletters, internal memos, Employee Code of Conduct.	By adopting fair employment policies and practices, investing in people development, recognizing performance, and open communication with employees.
Shareholders and Investors	Return on investment, long term business growth, regular dividends, financial prudence, effective risk management and good corporate governance.	Annual General Meetings, special visits, briefings, press releases.	By prudent business planning for long term growth, product innovation to stay ahead of competition, optimization of resources, risk management, ensuring integrity and management accountability.
Suppliers, Consultants and Contractors	Regular orders, clarity of specifications, fair selection, timely payment and ethical conduct.	Trade shows, factory visits, vendor meetings.	Ethical procurement policies and processes to ensure fairness in selecting vendors and awarding orders, honoring terms of purchase agreements. Supplier Code of Conduct.
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, filing of reports.	By carefully implementing policies and practices to ensure compliance with regulations.

Stakeholder Groups	Stakeholders' expectations	How we engage	How we address expectations
Community and NGOs	Responsible employment and business operations, support for local community cause, contributions.	Sporting events, Family Day, annual dinner events, blood donation drives, disclosing our ESG performance through sustainability reporting.	Implementing policies to offer fair employment, minimizing environmental impacts of operations and supporting local community events.
Industry/Peers	Innovation	Advertising, website updates, trade shows and industry events.	Investing in product innovation, research and development, new product launches.
Analysts	Regular updates on company performance and plans and access to senior management for interviews.	Annual Reports, briefings, updates on website, press release.	By providing appropriate updates and information as requested.
Media	Regular updates on company affairs, access to information for public interest stories, access to management for comments/ interviews.	Press releases.	By regular press releases, providing information and interview opportunities with top management.

ENVIRONMENT

Our strategy is to produce world-class recreational yachts which have lower environmental impact in the manufacturing stage as well as when our customers are using them.

Material Environmental Topics
- Energy
- GHG emissions
- Waste

Our environmental efforts are focused on reducing own energy consumption and waste and making our yachts lighter, stronger and energy efficient.

Our material environmental topics include energy consumption, Greenhouse Gas ("GHG") emissions, and manufacturing waste. We consider these issues material due to their potentially negative impact on the environment. Though we don't use water as industrial input, we strive to conserve and save water. Clean waters are important for our customers to enjoy their yachts. As such, we are supportive of global efforts to address water pollution.

We regularly monitor our main environmental metrics to review our performance and the effectiveness of our approach.

Energy

Our approach is to continuously find ways to improve energy efficiency of our manufacturing operations. Electricity in our production facilities located in Malaysia and Australia accounts for the bulk of our energy use. We also use fuel for testing our yachts and in our vehicles.

Yachts also consume energy throughout their life cycle when customers use them. Our energy initiatives include improving energy efficiency of our yachts to reduce fuel consumption in their use.

We believe employees play an important role in ensuring that electricity is used judiciously. For example, we encourage our employees to switch off lights and air conditioning units when a work area or room is not in use.

In the past two years, we have reorganized our production bays and the administrative block in our Malaysia facility that resulted in energy saving. We also replaced a majority of our tools with new energy efficient models, which save direct power consumption and improve productivity.

In FY2017, our electricity consumption was 2.28 million kWh, slightly higher than in FY2016, due to higher overtime at the Malaysia factory to meet production requirement.

Carbon Emissions

Carbon emissions from our operations mainly result from electricity use and fuel consumption. We use the Greenhouse Gas (GHG) Protocol guidelines, the most widely used framework internationally, for measuring and reporting carbon footprint. Our current reporting of carbon emissions covers the Scope-1 and Scope-2 sources as categorized by the GHG Protocol. We have not included fugitive emission from refrigerant gases used in air conditioning systems as we have determined the emission from this source is not significant.

Yachts consume fuel during their use throughout their lifetime and this results in carbon emissions. We have ongoing initiatives to improve energy efficiency of our yachts to reduce their carbon emission.

Natural Light Saves Energy

Electricity is the main form of energy we use in our manufacturing facilities. We have taken measures to minimize the use of electricity. For example, our production bays are spacious and make use of natural light as much as possible. Each production area has skylights that allow sunlight into the work area to reduce need for artificial lighting.

Energy Saving Lights

In FY2016, our Malaysia facility embarked on the initiative to replace all of its lights to energy-saving LED lights in a bid to cut costs and emissions. As of FY2017, this initiative is still ongoing, with more than 80% of the lights already switched to LED lights, and the remaining 20% is to be changed within the year. LED lights use about half the voltage as compared to conventional fluorescent lights, and we expect this to be reflected in cost savings through the electricity bill. Our Australian plant has also undertaken a major lighting upgrade to reduce the costs and the environmental footprint. With 90% of lighting throughout the manufacturing areas having been replaced in FY2016, the remainder will also be gradually upgraded.

Solar Power

We are exploring feasible ways to harness solar energy for our boats. For example, the new Grand Banks 60 comes with a solar-energized electrical system allowing the batteries to be charged by a couple of 300-watt solar panels on the hardtop's roof, which keep onboard refrigeration operable without having to resort to shore or genset power. This provides a new choice to eco-conscious customers.

Waste

Our policy is to minimize waste, improve resource efficiency and dispose waste responsibly. Our manufacturing process generates both hazardous and non-hazardous waste. Hazardous waste includes spent lubricant oil, solvents, catalysts, dust filter, uncured resin and gum waste. Non-hazardous waste in our factory includes wood, paper, plastic, bottles and cans.

We dispose waste though licensed waste collection contractors to ensure safe disposal.

In FY2017, total non-hazardous waste generated at our Malaysia facility was 724 tons as against 841 tons in FY2016. Waste data is currently reported for our Malaysia facility only. We plan to report waste data from our Australia operations in the future.

Case Study (Box item)
Less Waste, Lower Cost

We have been implementing tighter controls on how and where we store the waste chemicals from our manufacturing operations. In our Malaysia facility, the production team observed that non-hazardous waste was inadvertently contaminated by getting mixed with hazardous waste leading to higher volume of toxic waste and bigger expenditure on waste disposal.

We reviewed our waste management system and introduced more efficient isolation and segregation of hazardous waste from non-hazardous waste. This initiative has significantly reduced the undesirable contamination of non-hazardous waste and has lowered the disposal cost.

Case Study (Box item)
Upgrading Machines to Reduce Waste

Where possible, we are opting for technologies which are environmentally friendly and make us more productive. For example, we have introduced Computer Numerical Control ("CNC") machines in the fiberglass section which reduce waste, use less energy, require less maintenance and can operate longer hours. CNC machines have replaced our traditional machines which produced more waste, consumed more electricity, needed regular maintenance, and generated dust and noise.

Another example includes using a vacuum infusion process for fiberglass lamination that reduces resin fumes and overspray.

Use of Vacuum Bagging

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

Acetone Recovery

Acetone is a chemical used as solvent for the cleaning of equipment used in the manufacturing of FRP products. At our Malaysia facility, all used acetone is passed through a recycling machine, which separates acetone from the mix. This recovered acetone can be reused. Up to 90% of all spent acetone can be recovered via this machine. Recovering acetone from the used acetone mix reduces the need to purchase new solvent and it also eliminates the cost of disposing used acetone, which falls under the chemical waste category.

Robotics

In February 2017, we installed a robotic arm in our Malaysia facility to aid in the mold-making process. The state-of-the-art robotic arm technology replaces the traditional method of manually making molds using a plug, a process which is labor intensive, time consuming and generates significant amount of waste.

The robotic equipment is able to translate the computer design into a mold, through a streamlined system and eliminating any manual process. This use of robotics greatly increases precision in making the mold, and minimizes waste.

Water

We use water for drinking, product testing and industrial washing. As such, water is not a significant impact of our operations. However, we believe water is a precious resource and should be used prudently. We advocate water saving and conservation through employee awareness. We are therefore reporting water consumption figures.

On-site Pool Saves Water

We use water for testing of boats. Previously, we used running water from a tank, where the water discharged was collected and fed back to the tank. However, this process resulted in large volumes of water wasted. In FY2017, we constructed a new pool in our Malaysia factory for such testing – the same water is reused within the pool, circumventing the need to pump the discharged water back into the container. Estimated water savings from this initiative averages 100 gallons of water per boat.

Greener, Better and More Productive

In FY2016, we made several physical improvements in our Malaysia facility. We linked various buildings and sheds through continuous covered roofs which shelters people walking between the buildings and from the harsh sun and the rain. Covered spaces also protect goods and materials from the potential damage caused by the rains and the heat from the sun. This has created a much cooler and comfortable environment for our employees.

We also created several green patches in our Malaysia factory premises by planting more than 100 trees and plants.

Compliance

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

Box item

Lighter, Stronger, Faster and Eco-friendly

We have been investing in research and development to find ways to make our yachts which are lighter, stronger, faster and yet energy efficient.

The biggest impact we have made thus far is reducing weight of our yachts. By reducing weight, there are a host of benefits that improve both production efficiencies and also the performance of yachts.

Using alternative laminates, such as carbon fiber as against the traditional fiberglass, we have been able to reduce the amount of material we use, which is a direct benefit in itself, but also reduces weight, which has many other benefits.

Our efforts are aimed at finding, developing and using substitute material to achieve these goals. For example, we have progressively replaced teak wood with vinyl where possible. Unlike wood, vinyl does not require varnish and vinyl parts can be constructed outside and then fitted into the boat.

To make our boats lighter, and yet stronger, we have started using sandwiched cored hull instead of the traditional solid fiberglass hull. Sandwiched core refers to a construction technique of sandwiching lightweight but strong material in between layers of fiberglass.

Resin infusion process allows us to laminate in a more controlled environment using less resin and also control styrene emission into the atmosphere. This is a significant environmental improvement and also a huge safety improvement for the workforce.

The use of carbon reinforcements, such as carbon fiber, is becoming more prevalent over the past year. The use of carbon fiber over conventional fiberglass results in a lighter and stronger end product. Even though this material is more expensive than fiberglass reinforcement, a lighter boat confers better fuel efficiency during the life of the boat.

The lighter weights allow us to use smaller engines without impacting speed and performance, which means a lot less fuel consumption and carbon emissions during operation.

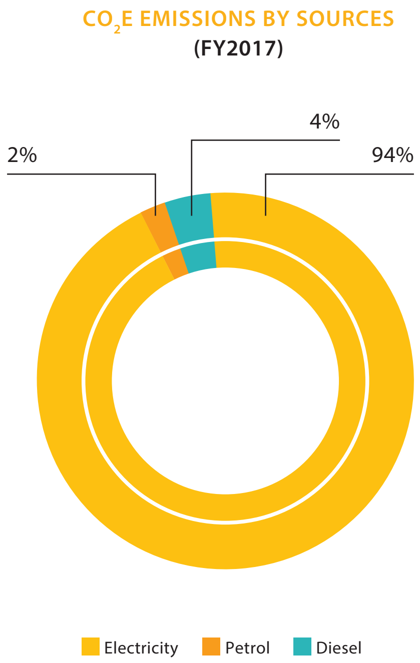
We have started using more efficient Pod Drive engines for propulsion in place of the conventional Straight Shaft inboard engines. Pod Drives are estimated to be 10% to 30% more fuel efficient than traditional shaft drives. Pod Drive propulsion also causes less noise and vibration.

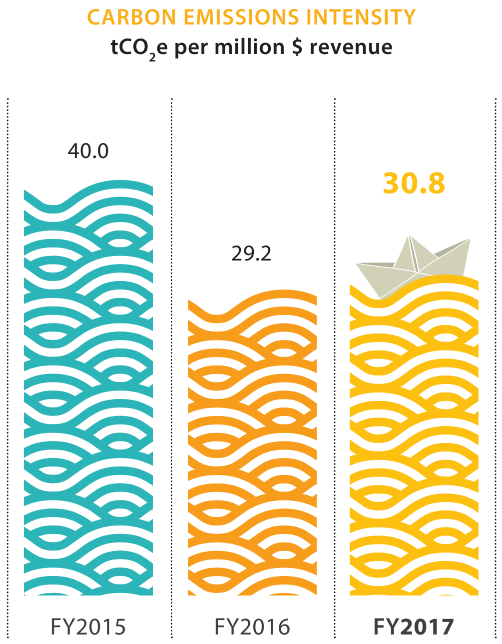
In another initiative, we are working toward standardization of components to reduce the types of components required for different models.

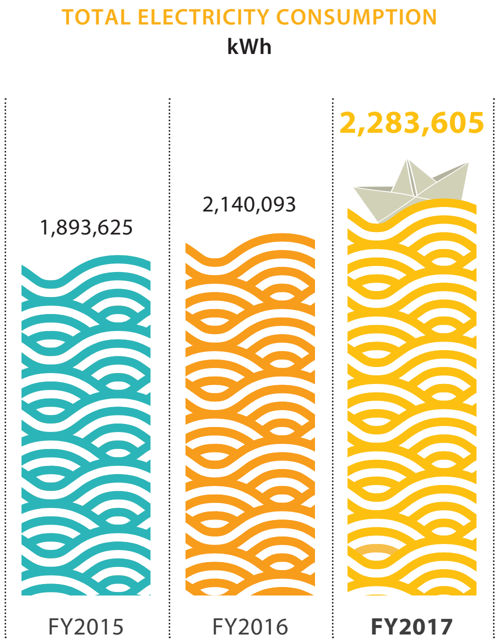
To further save energy, our boats come fitted with LED lights.

ENVIRONMENTAL PERFORMANCE

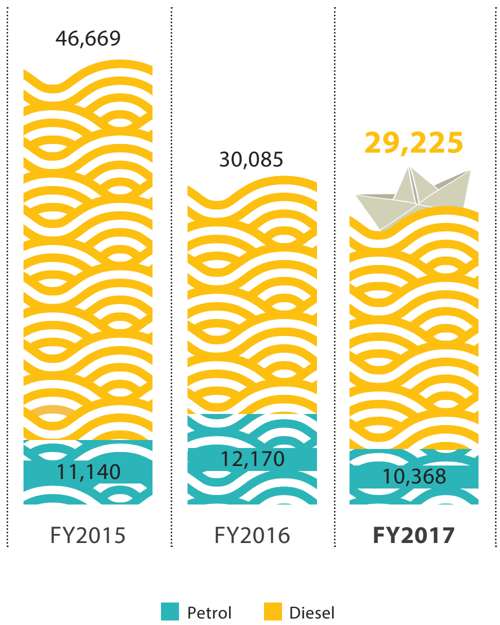
Carbon Emissions Summary (Year ended 30 June)			
	tCO_2e		
	2015	2016	2017
Scope-1			
Stationary Combustion	120.3	75.9	74.6
Mobile Combustion	32.4	35.1	30.0
Total Scope-1	152.7	111.0	104.5
Scope-2			
Purchased Electricity	1,415	1,600	1,703
Total Emissions (tCO_2e)	1,568	1,711	1,808


CO_2E EMISSIONS BY SOURCES
(FY2017)
2%
4%
94%
Electricity
Petrol
Diesel

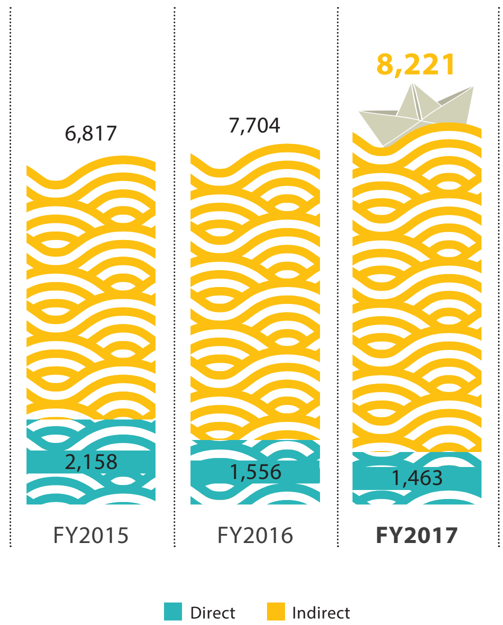

CARBON EMISSIONS INTENSITY
tCO_2e per million $ revenue
40.0
29.2
30.8
FY2015
FY2016
FY2017


TOTAL ELECTRICITY CONSUMPTION
kWh
1,893,625
2,140,093
2,283,605
FY2015
FY2016
FY2017

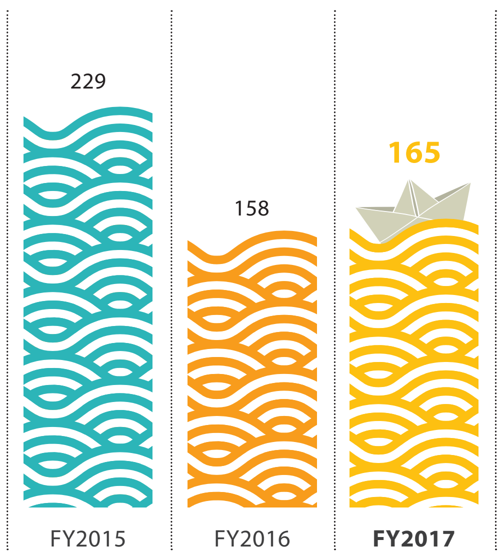
FUEL CONSUMPTION
(Litres)



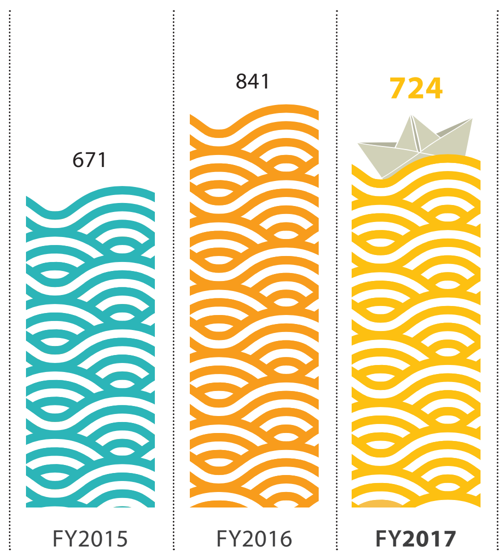
ENERGY CONSUMPTION
(GJ)

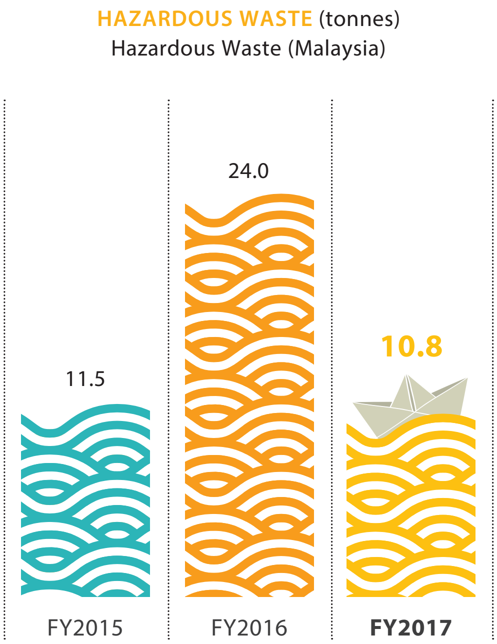


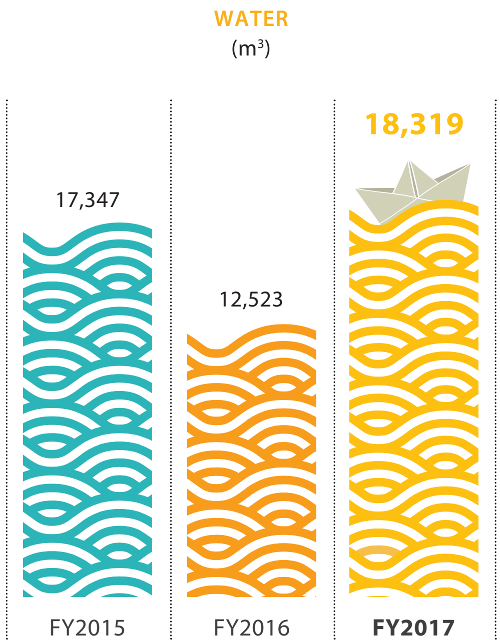
ENERGY INTENSITY
(GJ per m$ revenue)



NON-HAZARDOUS WASTE (tonnes)
Non-hazardous Waste (Malaysia)







EMPLOYEES

Our approach is to create and nurture an inclusive workplace based on mutual respect and team work.

Our people play a crucial role in meeting the expectations of our customers and growing business sustainably. We are committed to nurturing a workplace that allows our people to do their best.

We have comprehensive human resources policies in place to ensure a professional management of our human capital. We are committed to fair employment practices.

We consider fair employment policies, respect for diversity, the ability to attract and retain talent, protection of human rights and safe work practices as important workplace issues. We regularly review our Human Resources ("HR") policies and performance at the senior management level.

Employment

We employed 634 people as at the end of 30 June 2017. Permanent employees account for 98.5% of our workforce. Direct employees, staff engaged in production activities, represent 83.8% of the headcount. Average age of our employees in Malaysia is 39.5 years and the average employee age in our Australia operations is 34.5 years.

Material Workplace Topics

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

Diversity

We serve global markets with our head office in Singapore and manufacturing facilities in Malaysia and Australia. Diversity is absolutely important for us. We encourage and cherish gender, ethnic and cultural diversity in our organization.

Nationalities represented by our workforce include Australian, British, Indonesian, New Zealander, American, Singaporean, Malaysian, South African and Myanmarese.

Gender diversity however remains a complex area for us. At Grand Banks, an overwhelming majority of employees, 83.8%, is employed in production activities usually not preferred by women. Yacht making has traditionally attracted male craftsmen and workers. Yacht manufacturing involves carpentry, varnishing, painting, metal work, fiberglass work, plumbing, electrical, mechanical and engineering tasks which are not considered preferred vocations by women in Asian countries. This is reflected in our workforce where female employees hold only 3.0% of the production jobs. Female employees however account for 33.0% of our office-based jobs.

Human Rights

We are committed to internationally accepted norms of human rights. Our policies prohibit child labor, forced labor and discrimination. We respect our employees' right to freedom of association and collective bargaining in accordance with local laws. There were no incidents involving violations of these policies within our own organization in the reported period.

New Hiring

We hired 248 new employees in FY2017. Out of these, 241 employees were hired in our manufacturing facility in Malaysia. The new hires during the year included 15 female employees.

Training

Employee training and skills development is an ongoing activity at Grand Banks. Employees at all levels have the necessary access to formal and on-the-job training.

Some of the training programs our employees underwent in the past two years included understanding labor laws, mental health at workplace, handling absenteeism, budgeting techniques, confined space safety, thermoplastics welding, Hazard Identification, Risk Assessment and Risk Control ("HIRARC"), quality control and inspection, incident investigation, communications skills, first aid, forklift truck safety, electrical tagging, accounting, taxation among others.

In FY2017, average training hours per female employee was 4.8 while the male employees received an average of 2.5 hours of training.

Apprenticeship

We have initiatives aimed at grooming local talent. For example, we have established partnerships with the local technical schools in Malaysia as well as in Australia. Our specialized entry program for graduates allows us to mentor young talent for new roles.

We have a comprehensive apprenticeship programme in Australia where Palm Beach Motor Yacht Co Pty Ltd ("Palm Beach") offers employees the opportunity to expand their skills and knowledge in the industry using on-the-job training along with accompanying studying, either on or offsite. Once completed, the employee will have a nationally recognised qualification that can be taken anywhere in Australia and one that is held in high regard in many overseas countries as well. Typically, this opportunity is provided to younger entry-level employees, wishing to gain a sound knowledge of their trade. Apprenticeships are completed over a course of four years, three of which the apprentice will spend one day a week, each term at Tafe (a training institution) and the remaining four days a week on site, and the final year is spent on site practicing the skills they have learned. Each year, as the apprentice gains more experience and knowledge in their trade, their wages are increased in accordance with Australia's modern award rules.

Over the years, Palm Beach Motor Yachts has assisted several employees to initiate and complete their apprenticeship. This, in turn, has proven a great benefit to the business as we are able to coach these young employees into the valuable tradesmen they are today. In the past three years, 19 apprentices that have initiated their apprenticeship with Palm Beach, and the majority are set to complete this in 2019-2021. The Australian Government also offers employers incentives for employing apprentices, and these incentives are received at various stages during the apprenticeship.

"Grand Banks has given me many valuable lessons in my career. I have the opportunities to develop skills related to my work, I have a good supervisor who is always supportive and believes in my abilities, and I have wonderful colleagues who are helpful and friendly. I love my work here."

– Roswandi Mookin, a satisfied Grand Banks employee in Malaysia

Attrition

Our Human Resources policies and practices are aimed at attracting and retaining the best talent. We have several long serving employees. For example, the average length of employment in our production facility is eight years. Our Long Service Record scheme recognizes long serving employees who receive cash rewards and plaques.

The overall attrition rate in our Malaysia facility was 16.7% in FY2017 as against 10.8% in FY2016. In Australia, the attrition rate in FY2017 was 9%, the same as in FY2016. Our global attrition rate was 15.6% in FY2017 as compared with 41.4% in FY2015.

Employee Engagement

We have multiple channels for engaging our employees on regular basis, which include Joint Consultative Committee meetings, briefings, internal memos, and notice board, newsletter and team activities. A key initiative however is our town hall type quarterly sessions with the CEO which provides opportunities to discuss a range of topics, raise concerns and give feedback.

Performance Management

We have implemented a comprehensive performance appraisal system to evaluate employees' performance in a consistent, fair and objective manner. All employees are covered by the performance management system.

Employee Welfare

We have a number of ongoing initiatives aimed at employee welfare, work-life balance and team bonding to create a vibrant workplace.

We celebrate festivals of Hari Raya Puasa, Deepavali, Chinese New Year and Christmas together with our employees which includes giving gifts. Other initiatives include birthday gifts, sports activities, rice distribution on quarterly basis, appreciation lunch every quarter and orientation meals for new employees.

Occupational Health and Safety

Ensuring employee safety at work is a top priority for us. We regularly assess workplace safety and health risks and take appropriate measures for prevention and management. Our preventive measures include safety training, use of personal protective equipment, and safety devices attached to relevant equipment. Regular safety briefings are made to remind employees of safe work practices. A comprehensive Emergency Response Plan has been put in place to promptly deal with accidents should they occur.

"Grand Banks has taught me many valuable lessons in my career. I was given opportunities to develop skills relevant to my work, and also have a boss who continually supports and believes in me. My colleagues are wonderful too, as they are helpful and friendly and I view them as family. I love my work here."

– Dzullizah Ithnin, a happy Grand Banks employee in Malaysia

Employees are also provided regular training on safety topics which include use of personal protective equipment and emergency response.

Safety Measures

We use a variety of chemicals, mainly solvents and paints, in our manufacturing operations which potentially may cause skin irritation or respiratory problems. Employees in these operations are required to wear respiratory masks while at work. Employees in spraying operations are required to wear a full body uniform for protection. Other Personal Protective Equipment ("PPE") used in our facilities include full-face respiratory masks, half-face respiratory masks, safety shoes, safety helmets and safety goggles.

We have also implemented an extensive atmospheric monitoring system that randomly measures various toxins in the atmosphere to determine the overall air quality within our facility. This helps us prevent accidental exposure to a variety of toxins and more accurately develop and enforce proper PPE protocols.

Machines are fitted with appropriate safety guards. Lock-Out-Tag-Out procedures is strictly followed.

Noise, dust from woodwork, risks of getting caught in moving parts of a machine, cuts from sharp knives of sawing machines, electrical shock, trips and falls and fire are other potential hazards associated with our manufacturing activities.

We encourage innovation that involves making creative modifications to a process or an equipment to make it safer and more productive. For example, we attached the Sanding Machine to a dust extraction system to keep the environment cleaner and healthier. We have also implemented a plan to replace all of our current power tools, like grinders, sanders, etc., with individually extracted units that trap and extract 90% of dust and other contaminants.

Safety Committee

We have Health and Safety Committee which has representatives from various departments. The production facility has a trained Fire Squad and First Aiders.

Injuries

There were no fatal accidents in the reported period. In our Malaysia facility, we had 10 incidents of minor injuries in FY2017 as against 4 incidents in FY2016. The number of injuries in our Australia facility was 8 in FY2017, as compared with 18 incidents in FY2016.

A summary of our main health and safety metrics in FY2017 is as follows:

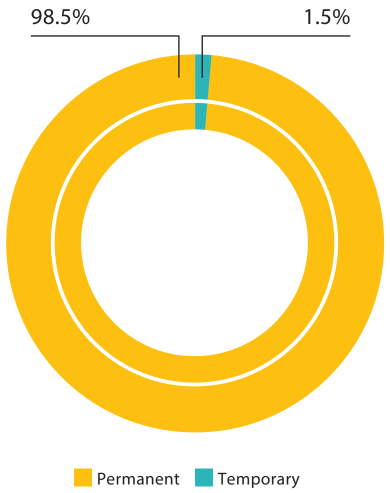
Indicator	Malaysia		Australia	
	Male	Female	Male	Female
Workplace Injury Rate (see note below)	1,757	0	1,282	0
Accident Frequency Rate (see note below)	19	0	9.1	0
Accident Severity Rate (see note below)	0	0	5.7	0
Occupational Disease Incidence Rate (see note below)	0	0	0	0
Fatalities	0	0	0	0

Note:
Workplace injury rate = (Workplace injury)/(No.of employees) x 100,000
Accident frequency rate = (Workplace accident report)/(Man hours) x 1,000,000
Accident severity rate = (Lost time injury)/(Man hours) x 1,000,000
Occupational disease incidence rate = (Occupational disease)/(No.of employees) x 100,000

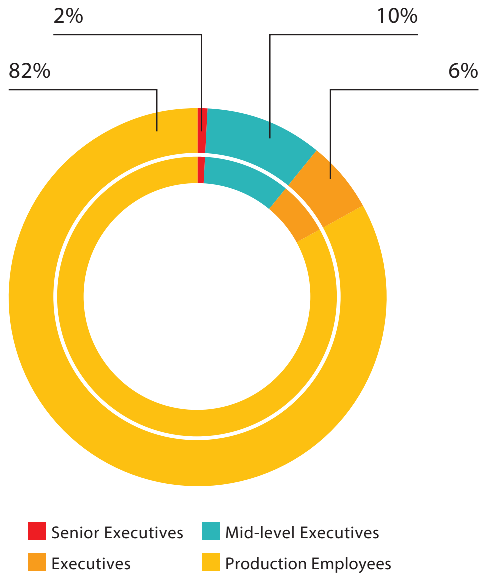
Each incident of injury is investigated and a corrective action is implemented.

OUR WORKPLACE PERFORMANCE

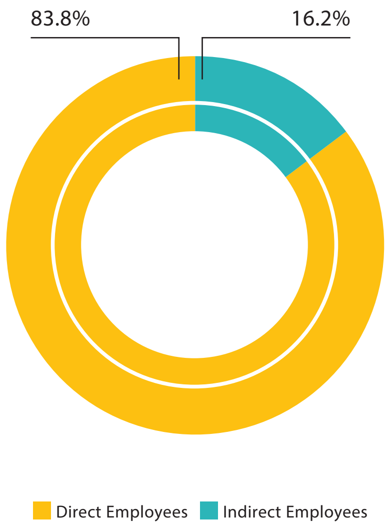
WORKFORCE BY EMPLOYMENT TYPE
(FY2017)



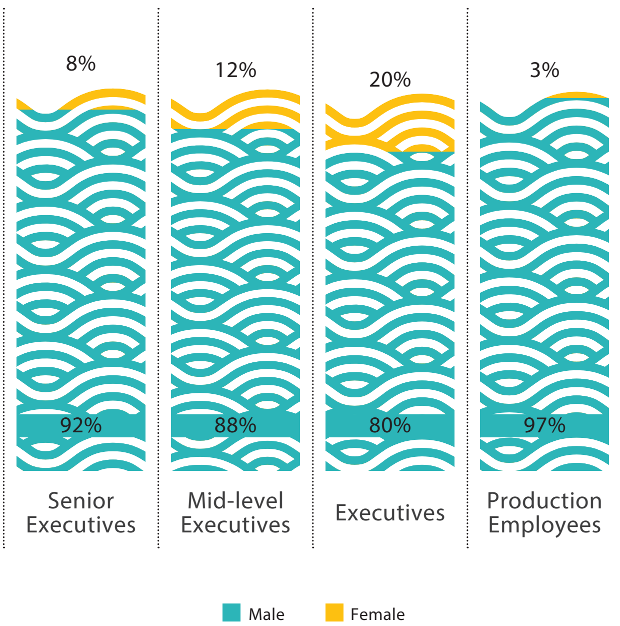
EMPLOYEES BY JOB PROFILE
(FY2017)



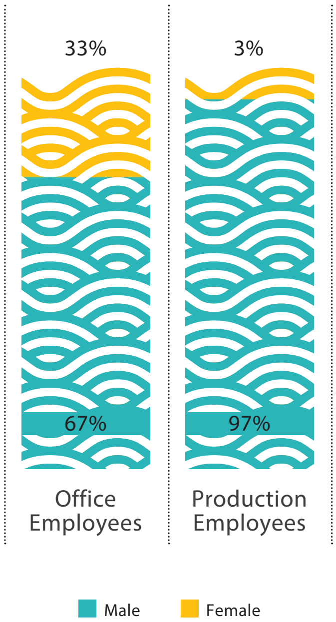
DIRECT EMPLOYEES (PRODUCTION WORKERS)
(FY2017)



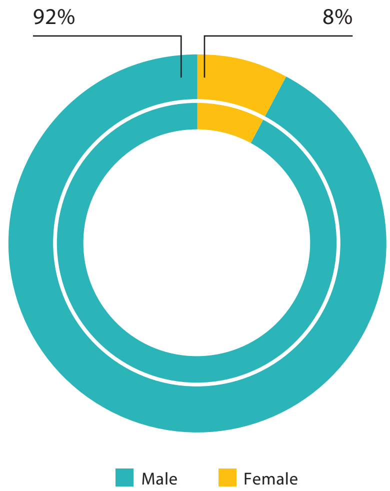
EMPLOYEES BY GENDER
(FY2017)



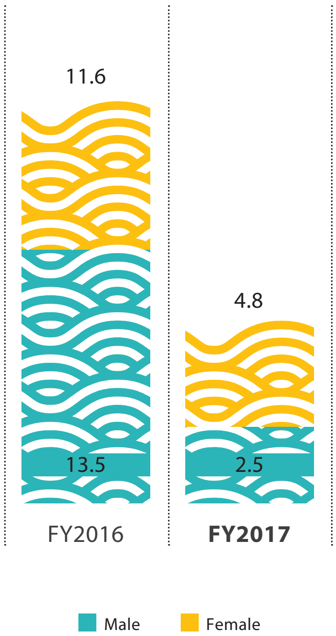
GENDER DIVERSITY
(FY2017)



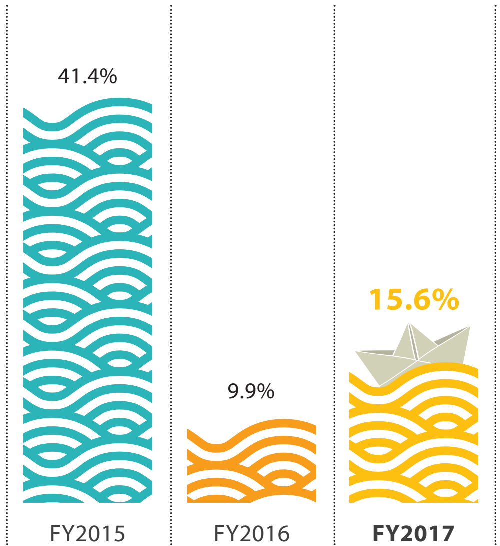
WORKFORCE BY GENDER
(FY2017)



AVERAGE TRAINING HOURS PER EMPLOYEE



ATTRITION RATE (%)



MARKETPLACE

Our approach is to position Grand Banks as a trusted, reliable and responsible brand.

Our policies and practices are aimed at conducting our business in an ethical manner. Our strategic focus areas include product quality, customer service and building trusted supply chain partners.

Product Quality

Each boat we build is designed to meet Grand Banks' high standards of quality. Decades of proven construction methods, advanced technological innovation, and installation of only the most dependable engines and equipment mean that new owners are already at the helm of remarkably reliable vessels.

Our yachts adhere to the highest safety standards and enjoy international certifications. We renewed the NMMA Boat and Yacht Certification for nine yacht models in FY2016. NMMA is the premier product certification program for boats and yachts awarded by National Marine Manufacturers Association, USA which helps manufacturers ensure their boats are built to applicable standards set by the American Boats & Yacht Council.

A number of our boats have secured the CE Mark which allows us to sell these boats to the European Union nations. We are also working toward obtaining the CE Mark for other boats.

Historically, the Group has constructed and delivered its yachts under the USA, EU and Australia specifications in their respective markets. All newer developments are constructed under universal standards in full compliance with the USA, EU and Australia Class A standards.

Customer Service

We have full time service personnels in the USA to deliver necessary maintenance and repair support to keep our owners cruising safely and confidently. They manage all GB warranty matters through an extensive Authorized Service Centre Network around the world. Each member of the Authorized Service Center Network is carefully selected for their excellence in all areas of service and repair. They also receive training specific to Grand Banks directly from our factory in Malaysia.

Marine Insurance

In order to offer peace of mind, we have worked with ABD Insurance & Financial Services, Inc to develop exceptional insurance package designed specifically for Grand Banks owners. Easily accessible insurance services are available online.

Material Marketplace Factors

- Product quality
- Customer service
- Supply chain
- Anti-corruption
- Compliance

The insurance policy provides a number of crucial coverages that include:

- Broad Navigation Limits
- Expanded Physical Damage Coverage
- Reducing Deductible Rewarding Loss-Free Experience
- Expanded Loss of Use Coverage
- Document Replacement Coverage
- Increased Limits for Watercraft and Pollution Liability
- Personal Vehicle and Miscellaneous Watercraft Coverage
- Contractual Liability
- Watersports Liability
- Emergency Veterinary Expenses

The policy is underwritten based on the exceptional quality built into every Grand Banks yacht and on the knowledge and experience of Grand Banks owners. Underwriters recognize this as an exceptionally good combination creating a class of business worthy of broadened coverage at exceptional pricing.

Anti-corruption

We believe in conducting our business with honesty and integrity. We have a strict anti-bribery policy that prohibits offering or receiving bribes or kickbacks by any employee. There were no confirmed incidents of corruption in the reported period.

Compliance

Our policy is to run our business in full compliance with laws that apply to us. There were no known incidents of non-compliance with laws or regulations in the reported period.

Supply Chain

We follow strict ethical policies and a fair procurement process to purchase all goods and services.

We rely on our supply chain for a wide variety of material and components to construct, furnish and equip high quality boats. Items that we regularly purchase 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 material.

Engaging our key suppliers on material sustainability issues is an area that is currently under study. (Please refer to the Economic Performance chapter for more information about our suppliers)

OUR VALUE CHAIN

Supply Chain Network	Grand Banks	Customer
Engines and drives	Product design and development	Boat owner
Components	Research & Development	Registration
Appliances	Innovation	Licensing
Water systems	Engineering	Storage
Resins	Fiberglass	Boat berthing and cleaning services
FRP/foam	Carpentry	Crew
Teakwood	Metal work	Fuel
Plywood	Plumbing	Maintenance
Paints and solvents	Paint and varnish	Insurance
Upholstery	Furniture and furnishing	Enjoy!
Machines and tools	Appliance fitting	
Services	Testing	
	Finished boat	

COMMUNITY

Our approach is to be a responsible corporate citizen by minimizing the impact of our operations on community and the environment.

In Malaysia, our manufacturing facility is located in an industrial area. The facility has created employment opportunities for the neighboring communities. A majority of our employees are local and this connects us with the local community. Welfare of this community is important to us. We provide support to a number of community initiatives. The recipients of our welfare assistance during the reported period in Malaysia included Fire Brigade, Customs-Sports Welfare, the Retired Army Association, local religious associations, community sports activities, the Hurricane Relief Fund, the Police Sports Welfare Fund, Mara College, the Mouth & Foot Handicap Society and most recently company sponsored blood donation drive, which we conducted annually starting FY2016. We also participated in the Pasir Gudang District Recruitment Carnival.

Palm Beach has assisted local organizations such as the Lions Club of Wyoming Inc. by providing support to the special needs children in our community. We are also involved with the MenShed organization, in which we provide offcuts of timber for the retired persons to create craft items with. Palm Beach also participates in the Pink Ribbon Drive, which supports Breast Cancer patients in Australia by hosting a fundraising morning tea for our employees.

ECONOMIC PERFORMANCE

We are committed to creating wealth and value for our stakeholders. Economic value creation is one of the foremost expectations of our shareholders, employees, the community and other stakeholders. How we created and distributed economic value is presented below.

For detailed financial and corporate governance information, please refer to the Annual Report section of this combined report.

SUMMARY OF OUR ECONOMIC PERFORMANCE			
Year ended 30 June			
Economic performance indicators	**2015**	**2016**	**2017**
Operating revenue ($m)	39.2	58.7	58.7
Net (loss)/profit ($m)	(4.8)	2.0	0.5
Total operating expenses ($m)	8.6	9.0	9.9
Employee wages and benefits ($m)	14.7	17.1	21.3
Taxes – (expense)/credit ($m)	(0.3)	0.7	(0.4)
Dividends paid to shareholders	None	None	None

Indirect Economic Impacts

Our operations contribute to the local economic development. For example, our manufacturing facilities in Malaysia and Australia creates quality jobs and helps develop skills and capabilities in building world class boats. Our support for local suppliers creates indirect jobs. Our tax contributions help the local governments generate revenue for nation building.

Local Suppliers

Our purchases from locally based suppliers supports local businesses and creates indirect jobs. In FY2017, the local vendors' share of our total purchase was 31% for Malaysia and 76% for Australia.

GRI CONTENT INDEX

GRI Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number(s) and/or URL(s)**
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
General Disclosures		
GRI 102: General Disclosures 2016	**Organisational Profile**	
	102-1 Name of the organisation	Grand Banks Yachts Limited
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	102-7 Scale of the organization	Inside Front Cover, 130, 60-61, 104-106
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	102-49 Changes in reporting	Not applicable. This is our first sustainability report.

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GRAND BANKS YACHTS LIMITED

BOARD OF DIRECTORS

CHAIRMAN
Heine Askaer-Jensen

EXECUTIVE
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Gary James Weisman

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Basil Chan*
Heine Askaer-Jensen
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REMUNERATION COMMITTEE
Heine Askaer-Jensen*
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NOMINATING COMMITTEE
Basil Chan*
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Gerard Lim Ewe Keng

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Ms Ong Chai Yan
Since the financial year ended
30 June 2016

**Denotes Committee Chairman*

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