GRAND BANKS YACHTS LIMITED

2019 ANNUAL REPORT

PURSUIT OF EXCELLENCE

ABOUT
GRAND BANKS YACHTS LIMITED

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

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

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

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

GT50

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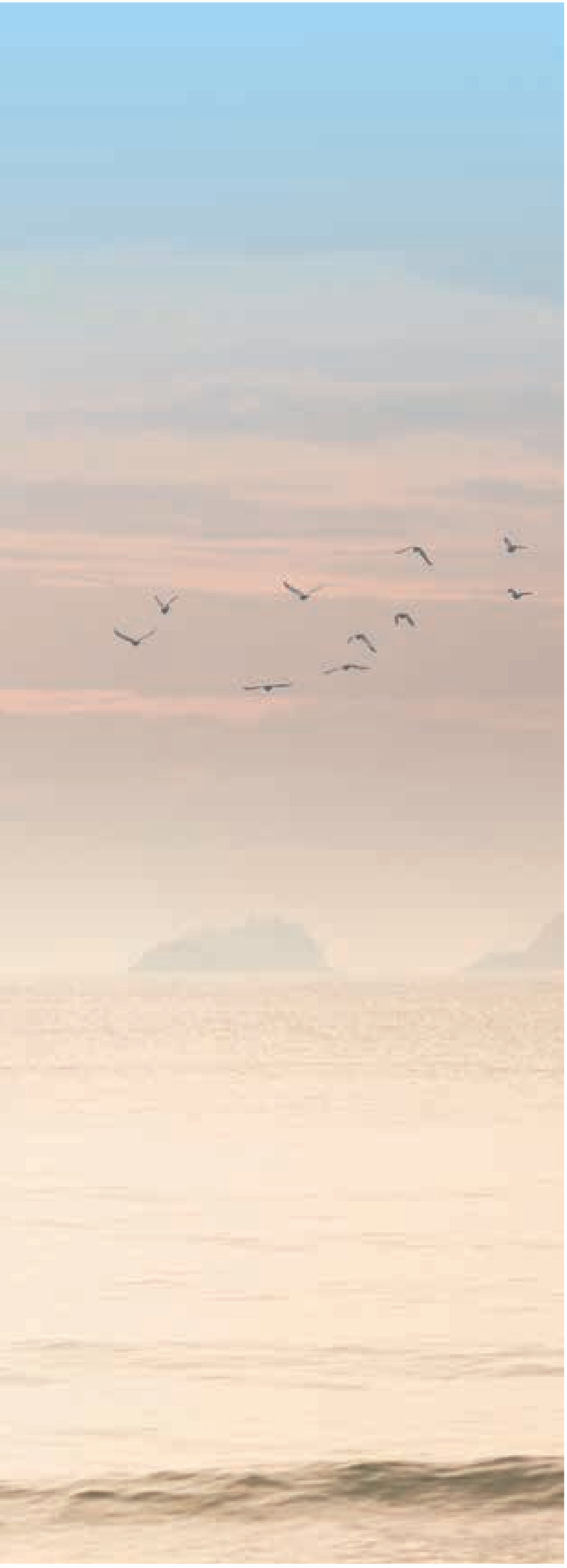

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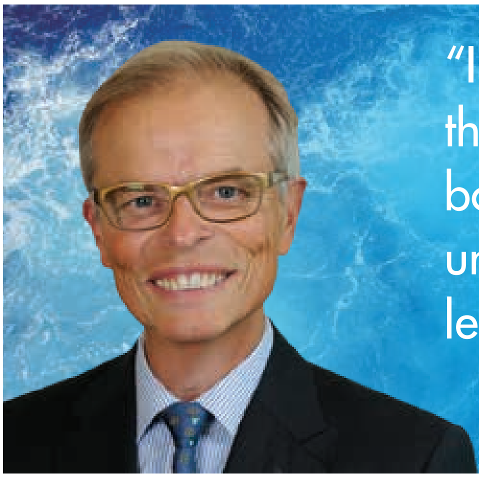
CHAIRMAN'S STATEMENT



"I am pleased to have witnessed how the Group raised the bar as a leading boat builder. In my opinion, we are well underway in regaining our past niche leadership."

HEINE ASKAER-JENSEN
Chairman of the Board of Directors

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the annual report of Grand Banks Yachts Limited ("Grand Banks" or the "Group") for the financial year ended 30 June 2019 ("FY2019").

We are inspired by noteworthy growth in net orders on hand to S$57.8 million by end of the financial year, a 76% increase compared to a year ago. The Group's new products have been well received by the market, offering a refreshing new yachting line that respects the strong legacy of the brands of Grand Banks Yachts. Design features of our recognised brand packages – Grand Banks, Palm Beach and Eastbay – are built on latest technologies, materials and build techniques. Combined, these aspects offer a strong product palate of highly desirable motorboats from which we expect to benefit financially in the years to come.

I am pleased to have witnessed how the Group raised the bar as a leading boat builder. In my opinion, we are well underway in regaining our past niche leadership. Every new boat leaving our yard comes with improved technical features of relevant hallmarks in design, consumption-data, speed, build-quality, safety, serviceability and ease of ownership – all guided by a greener product approach aligned to evolving expectations of customers and the community at large.

The Group has benefitted from an encouraging boating market, particularly within the United States. We are sensitive to that fact that the boating market is fluctuant and not easy to read. More so, it is important that the Group made timely investments in Florida, U.S., from where it now operates its own factory-managed service facility supported by a wholly owned sales and commissioning facility. We expect similar set-ups in other regions in the near future. Part of the Group's strategy is to enlarge the market coverage with less dependency on the U.S. market.

The much stronger foundation that we have built has also led to positive performances this year. For FY2019 the Group recorded a net profit of S$1.5 million. This is lower than the performance in FY2018 due to a variety of reasons that included higher completion costs of new models and currency translation losses due to unfavourable rates of the USD and AUD. Last year's gain from recognition of deferred tax assets partly explains the higher profit in FY2018.

We are positively optimistic that the boat market, principally in the United States, remains robust. This is evidenced from industry outlook assessments as well as the buzz from recent trade shows.

Second, we have added an important facility in Stuart Yard, Florida, which functions as our U.S. headquarters coordinating global sales. This yard has provided us with a direct front-line presence that can service U.S. buyers much better. We have yet to fully leverage on that.

Third, the revamp of the production facility in Pasir Gudang has been largely completed. Automation, production processes and quality controls are stabilised. This means that we are ready to reap enhanced efficiencies that can come with a higher production volume. We expect margins to improve.

CHAIRMAN'S **STATEMENT**

We feel positive about the fourth and vital factor – the ability of our Group to continue to design and manufacture boats that meet changing customer needs and expectations. We plan bigger and sleeker boats that reflect our quest to capture orders from this segment. The Palm Beach GT60 is also set to debut within the year, while the highly anticipated Grand Banks 54 is making its first appearance in March 2020. And we are introducing a new flagship model, the Palm Beach 70 – the first in a line of better-performing luxury boat models exceeding 70 feet in length.

I am heartened by the capability and hard work of the Grand Banks team. They have rolled up their sleeves and toiled long hours to achieve this transformation. We trust that the foundation that we have built will lead to enhanced value for all shareholders.

I would like to take this opportunity to welcome Peter Truslow, the Group's new Vice President of Sales and Marketing for North America. We hope his past experience can help build a stronger presence for the Group in our major geographical market.

On behalf of the Board, I would like to extend my gratitude to all our customers, business associates and employees. Your dedication and trust in the Grand Banks brands are what makes all this possible.

To our shareholders, thank you for believing in us through the years. We are committed to continue bringing value to all our stakeholders in the coming year and beyond.

In appreciation,

HEINE ASKAER-JENSEN
Chairman of the Board of Directors

PB70

CEO'S MESSAGE

"That said, we closed FY2019 with a net order book of S$57.8 million, the highest in 10 years. This underscores the demand for new models of the Grand Banks and Palm Beach brands."

MARK J. RICHARDS
Executive Director & CEO

DEAR SHAREHOLDERS,

The financial year ended 30 June 2019 ("FY2019") has been a year of execution of growth strategies after three earlier years of restructuring. We have built upon a new and stronger foundation that involved combining two global boat brands, integration of a production and service footprint in Malaysia, Australia and the United States, a new work ethic and a design portfolio that can capture the imagination of buyers who are more discerning than before.

We have increased our yard in Pasir Gudang from 380,000 square feet to 550,000 square feet, reconfigured the facilities and implemented new technologies and processes. With that foundation in place, the execution in the past year focused on three aspects:

First, we improved our sales and marketing functions by unifying the team on a global scale, with particular focus on the U.S. market – our single most important geographical segment. In this regard, our team has been strengthened by the recent addition of Peter Truslow as the Group's new Vice President of Sales and Marketing for North America.

Second, we added a physical presence in Stuart Yard in Florida, United States, which also functions as our sales and marketing headquarters. The facility will be expanded, new machinery will be installed to move and position yachts, and it will double up as a sea trial facility for the full range of Grand Banks and Palm Beach yachts. This means we now have a dedicated facility to handle customer queries and service issues. It has made a huge difference in providing a much higher level of comfort for customers and prospective boat buyers.

Third, we have been and continue to unveil new boat designs that meet the changing demands of the market. Buyers are clearly interested in bigger and sleeker boats with new design elements. We will unveil the Palm Beach 70 at the Fort Lauderdale International Boat Show, making a statement of our intention to produce bigger boats that are more energy efficient. Over the coming boat shows in the United States we intend to introduce two more new models.

Building upon the success of the Palm Beach GT50 last September at the Newport International Boat Show, the Palm Beach GT60 is set to debut in Miami, while the highly anticipated Grand Banks 54 will debut at the Palm Beach International Boat Show in March 2020. A Grand Banks 85 is already underway, with another in negotiation.

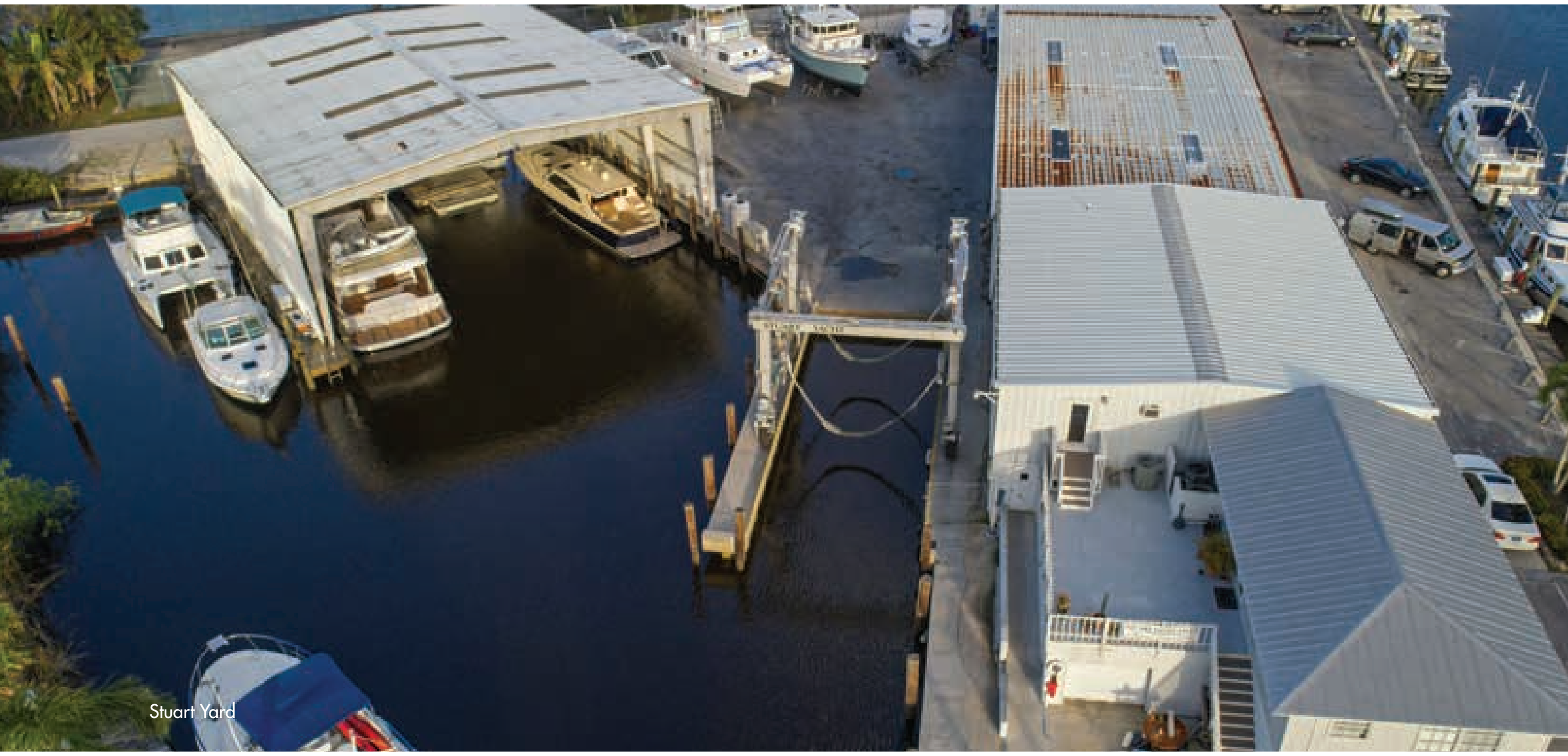
CEO'S MESSAGE

Our entire efforts are directed at delivering better revenue and profits for shareholders. The lower profit in FY2019 compared to FY2018 reflected several factors outlined by our Chairman and in our financial review. That said, we closed FY2019 with a net order book of S$57.8 million, the highest in 10 years. This underscores the demand for new models of the Grand Banks and Palm Beach brands. We have also maintained our cash position at a healthy balance of S$8.6 million.

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

It has been hard work over the past four years. We are navigating to a new and more exciting chapter of growth for the Group. I would like to thank all our employees, business partners, suppliers, customers and shareholders for their trust and support over the years. Let us look forward to calmer seas and a clearer horizon to enhance value for all stakeholders.

MARK J RICHARDS
Executive Director & Chief Executive Officer



Stuart Yard

FY2019 FINANCIAL **HIGHLIGHTS**

GB60

For the financial year ended 30 June 2019 ("FY2019"), revenue amounted to S$79.6 million, a decrease of 2.9% from S$82.0 million for the previous corresponding period. The Group's top line was impacted by fewer boats in production reaching maturity. The U.S market continues to be the Group's largest market, accounting for 82.6% of global sales while Australia accounted for 15.6%, and Europe for the remaining 1.8%.

In line with the lower revenue and increased warranty costs, gross profit declined by 16.8% to S$16.9 million from S$20.4 million. Lower brokerage commission income and one-off warranty costs resulted in lower gross profit margins, at 21.3% compared to 24.8% previously.

FY2019 saw total operating expenses declining to S$14.4 million from S$15.3 million in FY2018 due to net result of lower broker commissions paid and higher travelling expenses.

Finance costs for the year were higher due to borrowings to finance certain inventory boats as well as the acquisition of Stuart Yacht Corporation, while unfavourable AUD and USD rates resulted in higher foreign exchange losses, thereby increasing other non-operating expenses.

The tax credit in FY2019 was S$0.3 million, a decrease from S$3.7 million in FY2018 due to the lower recognition of deferred tax assets arising from the unutilised tax losses in subsidiaries.

As a result of the above, the Group recorded a net profit of S$1.5 million for FY2019 (FY2018: S$8.9 million (re-stated)).

Cash flows used in operations amounted to S$1.6 million in FY2019 from S$1.1 million generated from operations in FY2018 due to lower net profit, higher number of inventory boats, higher work-in-progress not yet due for billing but already recognised as revenue, as well as a decrease in trade and other payables. This was partially offset by a decrease in trade and other receivables and increase in contract liabilities.

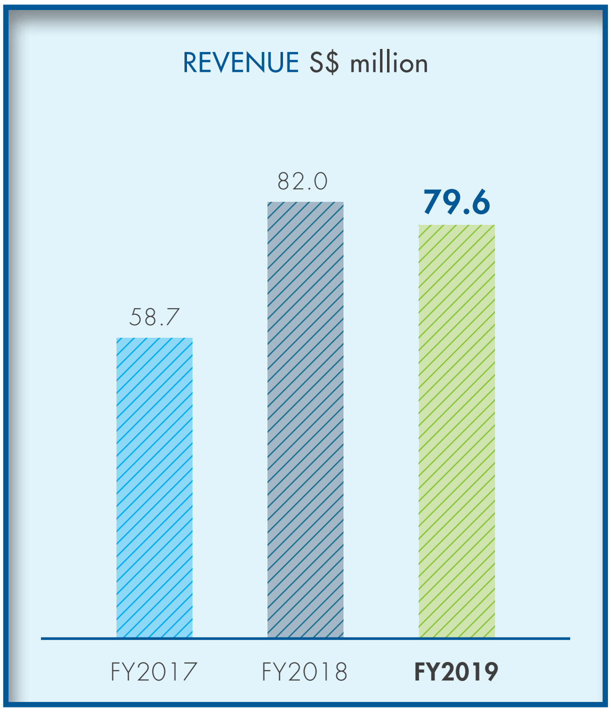
Cash flows used in investing activities amounted to S$7.7 million, with a majority of the money directed to the development of new yacht models and the improvements at the Pasir Gudang facility, including the reconfiguration and revamped layout of production lines and processes.

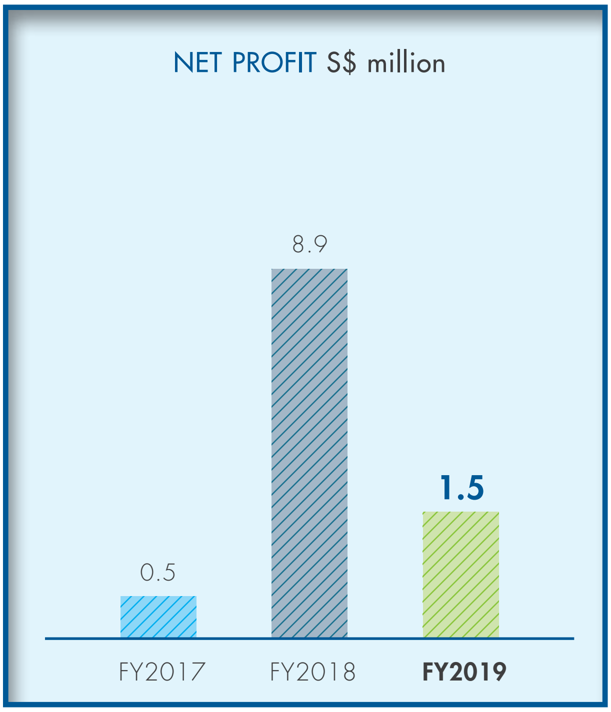
Cash flows from financing activities for FY2019 increased to S$9.2 million, compared to cash flows of S$0.5 million used in financing activities last year, primarily due to the proceeds from interest bearing loans and financing of certain inventory boats, offset by the repayment of loans, deferred consideration (principal and interest) and dividend payment of S$0.9 million.

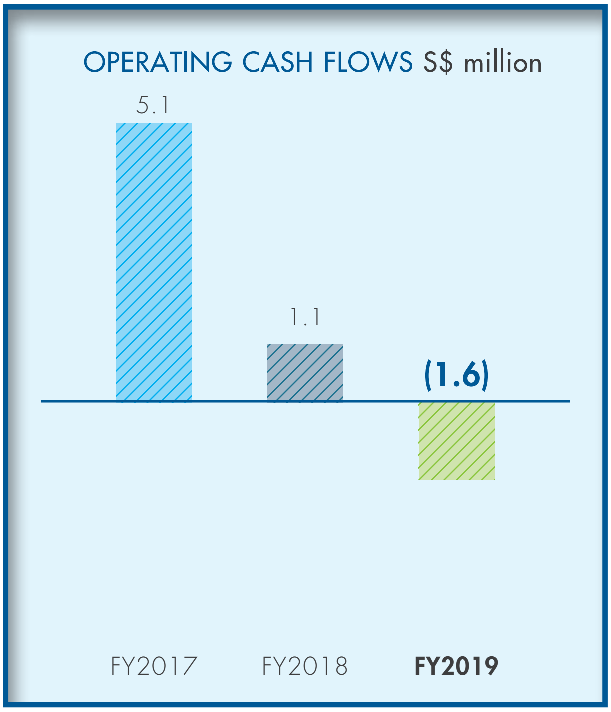
The company maintained a relatively stable cash position, with cash and cash equivalents at S$8.6 million as at 30 June 2019 compared to S$8.4 million as at 30 June 2018.

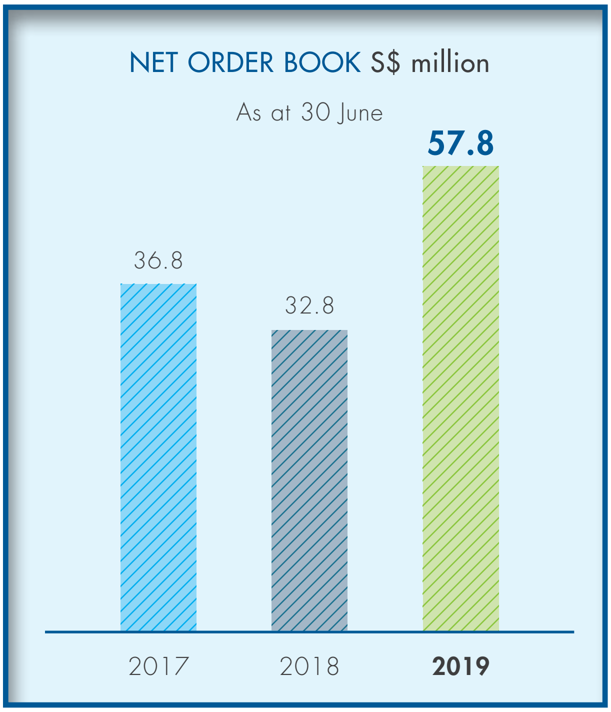
The Group received 31 new boat orders and five trade-in boat orders in FY2019, bringing the aggregate net order book to S$57.8 million as at 30 June 2019, an increase from S$32.8 million as at 30 June 2018.

FY2019 FINANCIAL HIGHLIGHTS









BOARD OF DIRECTORS

HEINE ASKAER-JENSEN
Chairman of the Board &
Independent Director

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

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

MARK JONATHON RICHARDS
Chief Executive Officer &
Executive Director

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

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

Mr. Richards is the founder of Palm Beach Motor Yacht ("Palm Beach"), which he set up in 1995 after a decade of open-water sailboat racing. Originally a bespoke boat manufacturer, Palm Beach now designs, builds and markets a full range of award-winning yachts.

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

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

BASIL CHAN
Independent Director

Mr. Basil Chan was appointed to the Board on 14 November 2011. He was last re-elected to the Board on 25 October 2018.

Mr. Chan holds a Bachelor of Science (Economics) Honours degree majoring in Business Administration from the University of Wales Institute of Science & Technology, U.K. and is a Fellow 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. 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 and Risk Management Committee of ISCA where he is its Deputy Chairman. He is the Founder and Managing Director of MBE Corporate Advisory which provides corporate and financial advisory to listed and private companies. Mr. Chan is also an Independent Director of three other SGX-listed companies, namely AEM Holdings Limited, Global Invacom Group Limited and Memories Group Limited. In the last three years, he had previously sat on the Boards of SBI Offshore Limited, Singapore eDevelopment Limited and Yoma Strategic Holdings Ltd.

BOARD OF DIRECTORS

GERARD LIM EWE KENG

Non-Executive & Non-Independent Director

Mr. Gerard Lim Ewe Keng was appointed to the Board on 21 February 2013. He was last re-elected to the Board on 25 October 2018.

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

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

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

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

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

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

GARY JAMES WEISMAN

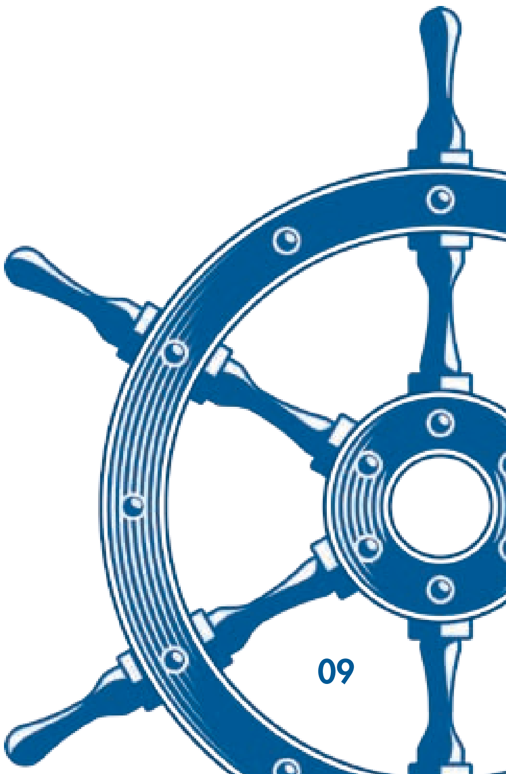
Independent Director

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

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

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

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



GRAND BANKS 60

THE WORLD IS YOUR OCEAN

GB60
WALK AROUND SIDE DECKS

PALM
BEACH GT50

GT50 Express (blue)
GT50 Open (grey)

CORPORATE GOVERNANCE REPORT

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

This report outlines the corporate governance practices and procedures adopted by the Company with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "Code") and the extent of its compliance with the Code during the financial year ended 30 June 2019 ("FY2019").

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 recognise 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 and ensures accurate, adequate and timely reporting to, and communication with shareholders. In addition, the Board meets regularly to oversee and monitor the performance of Management and business affairs of the Group, including the Group's compliance with the rules and regulation of the relevant regulatory bodies. The Board sets the overall strategies of the Group as well as policies covering various matters with an emphasis on values, standards, internal controls, annual budgets and financial performance, quarterly reporting and risk management procedures as well as environmental and social issues. The Company's Sustainability Report is set out on pages 145 to 175 of this Annual Report. The Board also reviews and approves all major capital investments and funding proposals, divestment proposals, potential acquisitions and disposal of assets and interested person transactions, if any.

CORPORATE GOVERNANCE **REPORT**

1.2	All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.	Every Director, in the course of carrying out his duties, acts in good faith and considers at all times, the interests of the Group. The Board provides shareholders with a balanced and clear assessment of the Group's financial performance, position and prospects on a quarterly basis.
1.3	The Board may delegate the authority to make decisions to any board committee but without abdicating its responsibility. Any such delegation should be disclosed.	The Board delegates the implementation of business policies and day-to-day operations to the Chief Executive Officer ("CEO") and the Group's Management team but would amongst other things, oversee and assume responsibility for the Group's overall strategic plans, its overall performance and compliance with corporate governance practices. The Board is free to request for further clarification and information from Management on all matters within their purview. In order to provide independent oversight and to discharge its responsibilities more efficiently, the Board has established a Nominating Committee ("NC"), a Remuneration Committee ("RC"), a Strategic Committee ("SC") and a Risk Management and Audit Committee ("RMAC") and delegated specific areas of responsibilities to be discharged by each of these Board Committees. The SC was established with effect from 8 February 2018 to assist the Board in the following areas: • To develop long-term strategic plans for the Group, including the evaluation and monitoring the implementation of the strategic plans by Management; • To review areas identified by Management as having material impact on the Group's long-term strategies; and • To review proposals made by Management and recommend strategic initiatives for the Group pertaining to any changes in business direction, new markets, new products and/or any major re-organisation or investment/divestment.

CORPORATE GOVERNANCE REPORT

		These Board Committees have been constituted with clearly defined Terms of Reference, which are reviewed on a regular basis to ensure their continued relevance and adequacy to meet the governance standards expected of the Board. The Board Committees are actively engaged and play an important role in ensuring corporate governance of the Group. Outcome of each Board Committee meeting and their recommendations are reported to the Board by the Chairman of the respective Board Committees and will be subsequently reviewed by the entire Board. The Board acknowledges that while the various Board Committees have the authority to carry out their duties and make recommendations, the ultimate responsibility on all matters lies with the Board collectively. Please refer to Table A for Board and Board Committees.
1.4	The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the Company's Annual Report.	The Board held five meetings in FY2019, 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 FY2019 are set out in Table B. In addition, the Board held several conference calls throughout the year to expedite decision-making on critical areas. Decisions of the Board and Board Committees were also obtained through circular resolutions in writing. Dates of Board, Board Committees and Annual General Meetings are scheduled in advance in consultation with all of the Directors. A Director who is unable to attend a Board or Committee meeting in person is invited to participate in the meeting via telephone or video conference. All Board members who are non-committee members of the RMAC, NC, RC and SC would attend the Board Committee meetings via invitation.

CORPORATE GOVERNANCE **REPORT**

1.5	Every company should prepare a document with guidelines setting forth: (a) The matters reserved for the Board's decision; and (b) Clear direction to Management on matters that must be approved by the Board. The types of material transactions that require board approval under such guidelines should be disclosed in the Company's Annual Report.	The Board has adopted a "Delegation of Authority Matrix" for Management – setting thresholds/limits for transactions permitted to be undertaken by Management. Matters which are specifically reserved for the Board's decision and approval include: • material acquisitions and disposals of assets; • material new investments, borrowings, corporate or financial restructuring; • share issuances, dividends and other returns to shareholders; • Strategic plans and objectives; • the Group's annual operating budgets and financial plans; • the Group's overall financial and management performances; • Remuneration for key executives; • the Group's overall internal controls and risk management; • Quarterly and full year financial results and announcements as well as compliance with bank covenants for banking facilities granted by financial institutions; and • Corporate governance compliance, including any other transactions of a material nature requiring announcement under the Listing Manual Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").

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. The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's Annual Report the induction, orientation and training provided to new and existing directors.	All newly appointed Directors undergo an orientation program to provide them with background information on the Group and industry-specific knowledge. During the year under review, no new Director was appointed. The Directors continuously update themselves on new laws, regulations and changing commercial risks. Every Director is also invited and encouraged to seek additional training to further their skills in performing their duties, including attending classes and/or events sponsored by the Singapore Institute of Directors ("SID"). Directors are also informed of upcoming conferences or seminars relevant to their roles as directors of the Group. Such training is funded by the Company. Mr. Basil Chan is a member of SID's Audit Committee Chapter and helped organise and attended several of its programs. He also attended SID's Annual Conference and SID's Audit Committee seminar. 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 formal letters of appointments to all directors, which spell out their roles, duties, responsibilities and obligations as directors. All directors have unrestricted access to the Company's resources such as its Constitution, Terms of References of the respective Board Committees, Annual Reports and any other pertinent information for their reference.

CORPORATE GOVERNANCE REPORT

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-Independent and Non-Executive Director and one Executive Director. The Board is able to exercise objective judgement on corporate affairs independently as independent directors comprise majority of the Board. Furthermore, all Board Committees are chaired by and comprised primarily of independent and non-executive directors. Please refer to Table A for the composition of the Board and Board Committees. The profiles of the directors are set out on pages 08 to 09 of this Annual 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.	The NC is responsible for reviewing the independence of each director based on the guidelines set out in the Code. The NC conducts an annual review of the directors' independence and requires each independent director to confirm his independence by completing, signing and submitting a confirmation of independence declaration based on the guidelines provided in the Code. For the year under review, the NC had reviewed the declarations submitted by the independent and non-executive directors, namely Messrs Heine Askaer-Jensen, Basil Chan and Gary James Weisman, and was satisfied that there are no relationships which would impair their independent judgement or would deem any of them to be non-independent.

CORPORATE GOVERNANCE REPORT

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

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		The NC is satisfied that the Board, as a whole, consists of good mix of individuals with appropriate skills, expertise, industry knowledge, and general commercial experience to lead and govern the Group effectively. The three independent directors and one non-independent and non-executive director are respected professionals drawn from a broad spectrum of expertise which enables them, in their collective wisdom, to contribute effectively and provide a balance of views at both the Board and the respective Board Committees meetings. Details of the directors' academic and professional qualifications as well as experiences and other appointments are set out on pages 08 and 09 of this Annual Report. The Board seeks diversity in Board composition and has members with accounting, financial background and from diverse industries and geographical markets, including the boat industry and the Group's key markets such as the USA and Australia. The Board recognises the need for gender diversity and will consider favorably a female board member at the next board renewal exercise. Notwithstanding that there is no formal Board diversity policy in place, the NC and the Board is cognizant of the recommendations as set out under Guideline 2.6 of the Code.
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.	During FY2019, the independent and non-executive directors met or had calls informally periodically throughout the year without the presence of executive director and Management.

CORPORATE GOVERNANCE REPORT

Chairman And Chief Executive Officer

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

Guidelines Of The Code		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 majority of the Board. The Board is able to exercise its power objectively and independently from Management. No individual or small group of individuals dominates the Board's decision making.
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 directors including the Chairman, who is an independent director, confer regularly without the presence of the executive director via emails and telephone calls. As and when the need arises, either the Chairman or any of the independent directors may call for meetings to meet or communicate amongst themselves. During FY2019, the independent directors met or had calls informally periodically throughout the year without the presence of the non-independent and non-executive and executive directors and Management.

CORPORATE GOVERNANCE REPORT

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-Independent and Non-Executive Director. The NC Chairman is independent and not associated in any way with the 10% shareholders of the Company. The key functions of the NC are to make recommendations to the Board on all new Board appointments, determine the size and composition of the Board, review the balance and effectiveness of the Board and identify the skills required at the Board level in ensuring that the Board remains effective and focused. The NC met once during FY2019. 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.	The NC is responsible for making recommendations to the Board on all Board appointments and on the composition of executive, non-executive and independent directors of the Board. The NC also reviews and recommends on the nomination of directors who are retiring by rotation as well as determining annually whether or not a director is independent. In accordance with Article 86 of the Constitution of the Company, one-third of the members of the Board (or, if the number is not three or a multiple of three, then the number nearest to one-third) shall retire from office by rotation at the Company's Annual General Meeting ("AGM"). The retiring directors are eligible to offer themselves for re-election. The directors due to retire by rotation at the Company's forthcoming AGM for FY2019 are Mr. Heine Askaer-Jensen (independent director) and Mr. Mark Jonathon Richards (executive director).

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All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years.	There are no relationships including immediate family relationships between Mr. Askaer-Jensen or Mr. Richards and the other directors, the Company or its 10% shareholders. The NC has reviewed and recommended the nomination of each retiring Director to the Board after taking into consideration factors such as the individual Director's contribution, performance, attendance at the Board and/or Board Committee meetings, and adequate time and attention devoted to the affairs of the Group to discharge their duties as directors of the Company, in the case of directors with multiple board representations. Each member of the NC abstains from all discussions, deliberations and decisions in respect of their own performance assessment or re-election. The Board has accepted the NC's nomination of the retiring directors who have given their consent for re-election at the forthcoming AGM of the Company. The Board recognises the contribution of its directors who over time have developed deep insight into the Group's operations and industry and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for any of its directors. 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. The independent directors had also confirmed their independence in accordance with the Code.
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. Details of each director's present and past three years directorships or chairmanship in other listed companies, and other principal commitments are set out on pages 52 of this Annual Report. Notwithstanding that there is no formal guideline in place to address the conflict of competing time commitments that are faced by directors with multiple board representations, the NC and the Board is cognizant of the recommendations as set out under Guideline 4.4 of the Code. The NC would continue to review, on an on-going basis, and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.

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4.5	Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate director bear all the duties and responsibilities of a director.	The Company does not have any alternate directors.
4.6	A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. This should include disclosure on the search and nomination process.	When the need for a new director is identified, either to replace a retiring director or to enhance the Board's capabilities, the NC will make recommendations to the Board regarding the identification and selection of suitable candidates based on the desired qualifications, skill sets, competencies and experience, which are required to supplement the Board's existing attributes. If need be, the NC may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for NC's consideration. The NC, after completing its assessment, meets with the short-listed candidates to assess their suitability, before submitting their recommendations to the Board for approval. 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.

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4.7	The following information regarding directors, should be disclosed in the company's Annual Report: • academic and professional qualifications; • shareholdings in the company and its related corporations; • board committees served on (as a member or Chairman), date of first appointment and last re-appointment as a director; • directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments; • indicate which directors are executive, non-executive or considered by the NC to be independent; and • the names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include: – any relationships including immediate family relationships between the candidate and the director, the company or its 10% shareholders; – a separate list of all current directorship in other listed companies; and – details of other principal commitments.	The profiles of the Directors, including details of their academic and professional qualifications, directorships and/or chairmanships for both present and those held over the preceding three years in other public listed companies, other principal commitments, and date of first appointment and date of last re-election as director of the Company are set out on pages 08 and 09 of this Annual Report and in Table A. Information on each director's shareholdings in the Company and its related companies is set out in the "Directors' Statement" section on pages 55 to 59 of this Annual Report. Information on each director's designation (i.e. executive or non-executive or independent) is set out in the "Board of Directors" section on pages 08 and 09 of this Annual Report, Corporate Information of this Annual Report and in Table A. Information on the relationships including immediate family relationships between the retiring directors and the other directors, the Company or its 10% shareholders are disclosed in Guideline 4.2.

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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 FY2019 are communicated to and accepted by the Board. The Board is satisfied that it has met its performance and effectiveness objectives for FY2019.
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 consultation 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 results and feedback of the evaluation results are collated, reviewed and discussed by the NC and where necessary, recommendations are made to the Board to further enhance the effectiveness of the Board. The Chairman, in consultation with the NC, will, if necessary, propose steps to be undertaken to strengthen the Board's leadership so as to improve the effectiveness of the Board's oversight of the Company. Due to the small size of the Board, the NC is of the view that individual evaluation of each director is not required at this juncture. There are, however, regular dialogues among the directors. Nominations for re-election of retiring directors are recommended by the NC and approved by the Board. The replacement of a director, when it occurs, does not necessarily reflect the director's performance, but may be driven by the need to align the Board with the needs of the Group.

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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, Chapter 50 ("Companies Act") and the Listing Manual of the SGX-ST are complied. The Company Secretary attends all board meetings and prepares minutes of all meetings of the Board and Board Committees.

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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-independent and non-executive director. The primary purpose of the RC is to recommend to the Board a framework of compensation, and the specific compensation packages for each director and the CEO of the Company. The RC shall cover all aspects of compensation, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. The RC will also review the compensation of key management personnel. If necessary, the RC can seek expert advice inside and/or outside the Company on compensation of all directors and/or key management personnel. The RC met once during FY2019. Please refer to Table A for composition of the RC.

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7.2	The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.	The RC reviews and makes recommendations to the Board on the framework of remuneration packages and policies applicable to the CEO, the directors and the Group's senior executives. The RC reviews the remuneration packages and employment contracts in order to attract and retain capable executives through competitive compensation. The RC recommends for the Board's endorsement, a framework of compensation that covers aspects of remuneration including directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director, the CEO and select senior executives.
7.3	If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.	The RC regularly utilises external consultant's advice and data to assist in the evaluation of its compensation recommendations. No director is involved in any deliberation in respect of his own remuneration, including any other forms of compensation or benefits to be granted to him or someone related to him. Each member of the RC abstains from making any recommendation on or voting on any resolutions in respect of his own remuneration package, except for providing information and documents specifically requested by the RC. The Company's current remuneration consultant is Robinson Consulting Pte. Ltd. ("RCPL") which has an independent and objective relationship with the Group. RCPL last reviewed and recommended changes to non-executive directors' fees for year ended 30 June 2019 the following basis: (a) market adjustment as the Non-Executive Directors' fees have not been adjusted since 2012; and (b) formation of a Strategic Committee hence the additional fees. The RC reviews the Group's termination clauses and termination processes and is of the opinion that the clauses and processes are fair and reasonable. In the course of such review, the RC also considers the Group's obligations in the event of termination of the executive director and/or any of the key management personnel, to ensure that the termination clauses in the service agreements are not overly generous so as to avoid rewarding poor performance.

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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 key management personnel, the RC considers the key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing remuneration packages. An appropriate proportion of their remuneration is linked to individual and corporate performance and is aligned with the interests of shareholders.
8.2	The RC should encourage long-term incentive schemes and review whether executive directors and key management personnel are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquiring the shares and associated tax liability.	In line with this Guideline which encourages long-term incentive schemes, the RC currently administers the Group's Performance Share Plan 2014 (the "PSP") and Employee Share Option Scheme 2014 (the "ESOS") which was approved by Shareholders at the EGM held on 8 October 2014 with the objective of attracting and retaining key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group. Each year, the Board seeks approval from the Group's shareholders to grant awards and options and to allot and issue shares in accordance with the provisions of the PSP and ESOS in order to align the interests of Management with shareholders.

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8.3	The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.	The non-executive director and the independent directors of the Company are each issued an appointment letter by the Company. The independent directors and the non-executive director are paid directors' fees, which are reviewed and determined by the RC annually based on the effort, time spent and responsibilities of the directors, as well as benchmarking data provided by external experts (where applicable). The directors' fees are then recommended by the RC with each Director abstaining from matters relating to his own fees for the Board's endorsement and approval by the shareholders at the Company's AGM. To facilitate the payment of directors' fees during the financial year in which they are incurred, the Company is seeking shareholders' approval for directors' fees of S$252,500 to be paid for the financial year ending 30 June 2020 (FY2019: S$252,500) on quarterly basis in arrears. The Company has secured shareholders' approval to allow non-executive directors to participate in both the PSP and the ESOS. All independent directors and non-independent and non-executive directors participate in the ESOS. Please see Table D for the detailed schedule of FY2019 directors' fees for independent and non-executive directors.
8.4	Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.	The Company has implemented contractual provisions allowing the Company to reclaim bonuses from executive director and key management executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group.

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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.	The Board has included a separate remuneration report to shareholders in the Annual Report, the top five management personnel (who are not Directors or the CEO) remuneration are disclosed in bands of S$250,000 and aggregate remuneration disclosed. Please refer to Table D for the actual remuneration for the directors (including the CEO) and for the remuneration bands for the top five management personnel (who are not directors or the CEO) for FY2019.
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 the actual remuneration for the directors (including the CEO) and the remuneration bands for the top five management personnel (who are not directors or the CEO) for FY2019.
9.3	The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of said top five key management personnel.	The top five management personnel are named, their remuneration disclosed in bands of S$250,000 and the total remuneration paid disclosed. Please refer to Table D for (i) the remuneration of the top five key management personnel (who are not directors or the CEO) in bands of S$250,000 and (ii) the aggregate total remuneration paid to them for FY2019. The RC would continue to review and recommend appropriate changes to the Company's practices and disclosures as and when deemed feasible and appropriate for the Company.

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 whose remuneration exceeds S$50,000 during the year 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 23 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 remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.	The annual reviews of the remuneration are carried out by the RC to ensure that the remuneration of the executive director and key management personnel commensurate with their performance and that of the Group, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board. The remuneration paid to the executive director and key management personnel comprises base/fixed salary component and variable components such as share plans (ESOS and PSP), bonus and other benefits. The individual's entitlement for the variable component is determined based on their personal performance and the Group's financial performance, principally the net profit before tax. These performance objectives are chosen for their objectivity and ease of measurement.

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).	Management provides Board members with management accounts on a monthly basis to ensure that Board members are kept apprised and being presented with a balanced and understandable assessment of the Company's performance, position and prospects. The Board in turn provides shareholders with a balanced and understandable assessment of the Group's performance, position and prospects through its annual reports, quarterly and full year financial results announcements as well as timely announcements on developments in the Group's businesses. Quarterly and full year financial results of the Company are reviewed by the Board before dissemination to shareholders via SGXNET. Quarterly results are released within 45 days of the reporting period while the full year results are released within 60 days of the financial year end via SGXNET. The Company's Annual Report and Notice of AGM is despatched to shareholders at least 14 days prior to the AGM and is also made available to shareholders on request.
10.2	The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.	The Board reviews compliance issues, if any, with management on a quarterly basis. The Company periodically engages external consultants to help to ensure its compliance with legislative and regulatory requirements is satisfactory. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to shareholders in its quarterly financial results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

		For the year under review, the CEO and the CFO, have provided a written assurance to the Board on the integrity of the Group's financial statement. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems in place, including financial, operational, compliance and information technology controls. This is based on internal controls maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the various Board Committees and the Board.
10.3	Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.	Management provides the Board with a continuous flow of relevant information on the Group on a timely basis so that the Board can effectively perform its duties. Management also provides to the Board timely and comprehensive updates on the Group's business activities and financial performance, including analysis of the Group's quarterly financial performances as compared to the approved budget and prior years' performances (quarter-to-quarter and year-to-date basis), so that the Board may effectively perform its duties. On a monthly basis, Board members are provided with summary financial data and other operating information for effective monitoring and decision making.

CORPORATE GOVERNANCE **REPORT**

Risk Management And Internal Controls

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

Guidelines Of The Code		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.
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.

CORPORATE GOVERNANCE REPORT

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 2019. 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. The terms of reference for the RMAC was adopted in FY2015 to reflect the Revised Guidelines for Audit Committees released by the Monetary Authority of Singapore. The RMAC conducts review of the Group's risk management framework and policies on a regular basis and reports all material updates/findings to the Board. Hence the Board is of the view that it would not be necessary to establish a separate risk committee to oversee and monitor the Group's risk management framework and policies as recommended under Guideline 11.4 of the Code.

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 four times during FY2019. 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.

CORPORATE GOVERNANCE REPORT

The significant matters that were discussed with Management and the external auditors, have been included as key audit matters (KAMs) in the audit report for the financial year ended 30 June 2019. These significant matters were i) impairment of non-financial assets, including goodwill and other intangible assets, and ii) accounting for construction contracts. Please refer to pages 61 to 63 of this Annual Report. RMAC's comments on the KAMs are listed below.

KAM 1: Impairment of non-financial assets, including goodwill and other intangible assets

RMAC's Comments

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

The RMAC reviewed the assessments by Management and the external auditors, and queried the appropriateness of the assumptions made, including the consistent application of Management's methodology, the achievability of the business plans, assumption in relation to terminal growth in the businesses and the discount rates used. Considerable judgement was required in the preparation of the business plans. Having completed several new yacht models in FY2018 and FY2019, 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 2019, no impairment of the non-financial assets including goodwill allocated to the CGU was required.

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	KAM 2: Accounting for construction contracts **RMAC's Comments** The RMAC reviewed the Management's approach to the recognition of revenue, particularly revenue from sales of new yachts which is recognised progressively as construction progresses with reference to the percentage-of-completion method which involved the Management's assessment of the stage of completion of the yachts and the estimated total costs to completion. Having built several new yacht models in financial years ended 30 June 2018 and FY2019, the Management was able to estimate fairly accurately the labour hours and material costs to build these new yachts. Management's estimates of labour hours and material costs were continually being refined as more production data became available and had improved in accuracy. The RMAC concurred with the Management's methodology of revenue recognition as described in the Group's significant accounting policies.
(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);	The RMAC evaluates the adequacy and effectiveness of the internal controls including financial, operational, compliance and information technology controls and regulatory compliance of the Group through discussion with Management and both its internal and external auditors. The RMAC also reviews the Group's compliance with the Listing Manual of the SGX-ST and Code of Corporate Governance including interested person transactions and whistle-blowing activities, if any.
(c) reviewing the 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.

	(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 auditor's 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 arisen 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 108.

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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 FY2019. 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 FY2019. 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.

CORPORATE GOVERNANCE REPORT

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's ("IA") primary line of reporting should be to the AC Chairman although the IA would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The IA should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.	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 recognised 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").

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13.5	The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.	The RMAC has reviewed and determined that the internal audit firm has met or exceeded its obligations under the terms of engagement. The internal audit firm reports to the RMAC and has unrestricted, direct access to the RMAC. The RMAC reviews and approves the annual internal audit plan as well as reviews the results of the regular audits including the monitoring of the implementation of the improvements required on internal control weaknesses identified. The Board is satisfied with the adequacy of the internal audit function and is confident it has an appropriate standing within the Group, is adequately resourced and is independent of the activities it audits.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

Guideline 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 SGX-ST Listing Rules and the Companies Act, the Board's policy is to provide its shareholders with a timely and accurate disclosure regarding the Group's business developments, financial performance and any other updates/changes which would have a material impact on the share price or value of the Company.
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 ("EGM"), where applicable, are sent to every shareholder of the Company, informing them of the rules and voting procedures that govern the general meetings. The Notices of the general meetings are also advertised in the newspapers and announced via SGXNET.

		All AGMs and EGMs of the Company are held at venues that are conveniently located and where public transportation is easily accessible and at a convenient time at 10.00 a.m. on a weekday to encourage shareholder attendance. Microphones are placed conveniently in the meeting room to encourage participation by shareholders. Polling is conducted electronically for confidentiality and convenience. The Company appoints a polling agent for general meetings. The polling agent explains the rules and voting procedures to shareholders at the general meetings.
14.3	Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	The Company's Constitution do not place a limit on the number of proxies a shareholder can appoint.

Communication With Shareholders

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

Guideline 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 SGX-ST Listing Rules and the Companies Act, the Board's policy is that all material and price sensitive information regarding the Company must be publicly released via SGXNET and be accessible to all shareholders simultaneously in an accurate, comprehensive and timely manner. Quarterly results are released within 45 days of the reporting period while the full year results are released within 60 days of the financial year end via SGXNET. Shareholders of the Company receive the Annual Reports and notices of AGMs, which are also advertised in the newspapers, at least 14 days prior to the AGMs. The Board encourages shareholders' participation at the AGMs and periodically communicates with shareholders through the course of the financial year.

CORPORATE GOVERNANCE **REPORT**

		Similarly, shareholders of the Company receive the circulars and notices of EGMs, which are also advertised in the newspapers, at least 14 days prior to the EGMs. The voting results of all votes cast for or against each resolution as disclosed during the general meetings are announced via SGXNET after the conclusion of the general meetings.
15.2	Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.	All material information on the performance and development of the Group and of the Company is disclosed in a timely, fair and transparent manner to shareholders via press releases, annual reports, shareholder circulars and general meetings. Presentations made at general meetings are also announced via SGXNET. The Company does not 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 relations firm, WeR1 Consultants Pte Ltd, to build relationship with shareholders, investor communities and other stakeholders and to organise analyst briefings, factory tour and other events for investors and press releases. Shareholders are also encouraged to share their views and feedbacks with the Company via its investor 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. Except for last year, the Company has not paid any dividends in recent years because of its performance as well as the substantial funds the Group has invested in new product development and improvement to its Malaysia facilities, including the renewal of its leases. The Board is working towards determining and adopting a dividend payment policy in future, and endeavors to pay dividends as and when the Group's profits are sustainable.

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.*

Guideline 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 SGXNET after the conclusion of the general meetings. The Company's Constitution only allows for shareholders to vote in via mail, electronic mail or facsimile and does not allow voting in absentia.

CORPORATE GOVERNANCE **REPORT**

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 assist the directors in addressing all queries raised by shareholders at the general meetings. 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 and Q & A 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 an internal code of best practices on dealings in securities to provide guidance to the officers, including directors, of both the Company and its subsidiaries with regard to dealings in the Company's securities.

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

"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 FY2019 (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 FY2019 which are conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000
Mark Jonathon Richards – Lease of manufacturing facility in Berkeley Vale, Australia to a subsidiary by an entity controlled by him. The lease expires on 30 June 2020. The monthly rental amount of approximately S$22,000, is based on independent valuation.	258	0

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

CORPORATE GOVERNANCE **REPORT**

Material Contracts
(Listing Manual Rule 1207(8))

No material contracts of the Company or its subsidiaries involving the interests of the CEO or any Director or controlling shareholders existed at the end of the financial year or have been entered into since the end of the previous financial year other than that disclosed in Note 25 to the Financial Statements and Interested Person Transactions on page 51. In addition, no Director or a related company with a Director has received a benefit from any contract entered into by the Group since the end of the previous financial year.

Use of Proceeds
(Listing Manual Rule 1207(20))

Not applicable

Table A

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

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

CORPORATE GOVERNANCE REPORT

Table B

Name of Directors	Board of Directors Meetings		RMAC Meetings		RC Meetings		NC Meetings		SC Meeting	
	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*	No. held	No. attended*	No. held	No. Attended
Heine Askaer-Jensen	5	5/5	4	4/4	1	1/1	1	1/1	1	1/1
Basil Chan	5	5/5	4	4/4	1	1/1	1	1/1	NA	NA
Gerard Lim Ewe Keng	5	5/5	4	4/4	1	1/1	1	1/1	NA	NA
Gary James Weisman	5	5/5	4	4/4	NA	NA	NA	NA	1	1/1
Mark Jonathon Richards	5	5/5	NA	NA	NA	NA	NA	NA	1	1/1

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

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

Table C

The Directors named below are retiring by rotation pursuant to Article 86 of the Company's Constitution and being eligible, the retiring Directors have given their consent for re-election at the Company's forthcoming AGM:

Board Member	Date of appointment	Date of last election
Heine Askaer-Jensen	14 November 2011	26 October 2017
Mark Jonathon Richards	1 August 2014	26 October 2016

Table D

The tables below show the remuneration bands of the Directors (including the CEO) and the top five key executives of the Group (who are not Directors or the CEO) as well as the approximate percentage breakdown of the remuneration for FY2019.

Remuneration of Directors (including the CEO)

Remuneration Band & Name of Directors	Base/Fixed Salary[1]	Share Plan	Bonus	Directors' Fees	Other Benefits	Total
	S$	S$	S$	S$	S$	S$
S$750,001 to S$1,000,000						
Mark Jonathon Richards	662,400	–	100,000	–	119,445	881,845
Below S$250,000						
Heine Askaer-Jensen	–	–	–	76,000	–	76,000
Basil Chan	–	–	–	69,500	–	69,500
Gerard Lim Ewe Keng	–	–	–	53,000	–	53,000
Gary James Weisman	–	–	–	54,000	–	54,000

CORPORATE GOVERNANCE REPORT

Director fee schedule for:	FY2019	Proposed for FY2020
Board member:	S$35,000	S$35,000
Chairman of the Board: additional	S$13,000	S$13,000
Member of the RMAC:	S$9,000	S$9,000
Chairman of the RMAC: additional	S$11,000	S$11,000
Member of other Committees:	S$4,500	S$4,500
Chairman of other Committees: additional	S$5,500	S$5,500

Note:

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

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

Remuneration Band & Name of Key Management Personnel	Base/Fixed Salary[(1)]	Share Plan[(2)]	Bonus	Commission	Other Benefits[(3)]	Total
S$250,001 to S$500,000						
Samuel Henry Compton	100%	–	–	–	–	100%
Ashwin Bhatt	99%	–	–	–	1%	100%
Chiam Heng Huat	85%	3%	12%	–	–	100%
Allan James Bird	77%	–	9%	–	14%	100%
Below S$250,000						
George Sass	100%	–	–	–	–	100%

Total aggregate remuneration paid to the top five management personnel (who are not Directors or the CEO) for FY2019 was S$1,557,095 (FY2018: S$2,297,892).

Notes:

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

(2) Amount of fair value of share options amortised in FY2019.

(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 2019.

In our opinion:

(a) the financial statements set out on pages 66 to 133 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 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

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

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

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

	Ordinary Shares		Share Options	
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*	301,500	301,500	–	–
Gerard Lim Ewe Keng*	12,000	12,000	200,000	200,000
Mark Jonathon Richards*	11,025,400	11,025,400	1,350,000	1,350,000
Gary James Weisman*	275,000	275,000	–	–

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

DIRECTORS' STATEMENT

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

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 July 2019.

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

SHARE AWARDS AND SHARE OPTIONS

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

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

Members of the Remuneration Committee are:

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

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

(i) 200,000 PSP granted by the Company to two executives on 2 March 2015 to take up unissued shares in the Company upon the vesting of two years' service condition from the grant date.

(ii) 3,450,000 ESOS granted by the Company to five executives (including executive directors) and four non-executive directors on 2 March 2015 to take up unissued shares in the Company.

(iii) 300,000 ESOS granted by the Company to one executive on 5 July 2017 to take up unissued shares in the Company.

DIRECTORS' STATEMENT

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

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

The information regarding ESOS are set out as follow:

(A)

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

- The 3,450,000 options granted on 2 March 2015 were issued at market price which was the average of the last dealt prices of the Company's shares over the five consecutive market days immediately preceding the grant date. 250,000 options granted previously were forfeited in 2016 due to the cessation of employment of one executive director and one non-executive director.

- The options can be exercised 2 years after the date of grant, and all options have vested as at 30 June 2019.

- All options are to be settled by physical delivery of shares.

- The options granted to key management personnel expire after ten years and options granted to non-executive directors expire after five years.

(B)

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. The exercise price of the option is $0.28 per share.

- The 300,000 options granted on 5 July 2017 were issued at market price which was the average of the last dealt prices of the Company's shares over the five consecutive market days immediately preceding the grant date.

DIRECTORS' STATEMENT

- The options can be exercised 2 years after the date of grant.
- All options are to be settled by physical delivery of shares.
- The options granted to key management personnel expire after ten years and options granted to non-executive directors expire after five years.

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

Director	Exercise period	Option granted for financial year ended 30 June 2019	Aggregate options granted since commencement to 30 June 2019	Aggregate options exercised since commencement to 30 June 2019	Aggregate options forfeited/ expired since commencement to 30 June 2019	Aggregate options outstanding as at 30 June 2019
Heine Askaer-Jensen	2/3/2017 to 1/3/2020	–	200,000	–	–	200,000
Basil Chan	2/3/2017 to 1/3/2020	–	200,000	(200,000)	–	–
Gerard Lim Ewe Keng	2/3/2017 to 1/3/2020	–	200,000	–	–	200,000
Mark Jonathon Richards	2/3/2017 to 1/3/2025	–	1,350,000	–	–	1,350,000

Size of the PSP and ESOS

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

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

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

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

RISK MANAGEMENT AND AUDIT COMMITTEE

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

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

DIRECTORS' STATEMENT

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

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

The Risk Management and Audit Committee also reviewed the following:

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

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

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

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

AUDITORS

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

On behalf of the Board of Directors

Mark Jonathon Richards
Director

Heine Askaer-Jensen
Director

30 September 2019

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 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 133.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

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

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

The key audit matter	How the matter was addressed in our audit
The Group records goodwill of $6.4 million which arose from the acquisition of Palm Beach Motor Yacht Co Pty Ltd. The goodwill is allocated to the manufacturing and trading business segment, which represents the lowest level within the Group at which goodwill is monitored. Property, plant and equipment and intangible assets relate to the same cash generating unit (CGU) to which the goodwill is allocated to. They are included and assessed concurrently in the annual goodwill impairment. Management applies the value-in-use (VIU) method to determine the recoverable amount of the CGU. Key assumptions and estimates used in the value-in-use calculations include revenue growth rates, gross profit margins, terminal growth rate and the applicable discount rates. The determination of these assumptions involve judgement and is subject to estimation uncertainties.	Our procedures include the following: • We evaluated management's basis of determination and identification of the CGU within the Group. • We compared historical forecasts against historical performance to assess the reliability of management's forecast process. • We assessed the key assumptions, including revenue growth rates and gross profit margins by comparing them with historical performance and future business plans. • We independently derived applicable discount rates from available industry data and compared these with that used by management. • We performed stress tests using a plausible range of key assumptions, and analysed the impact to the carrying amount. • We considered the adequacy of the Group's disclosures in respect to the impairment testing, including the sensitivities of the recoverable amount to variations in assumptions.

Findings:

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

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

INDEPENDENT AUDITORS' REPORT

<table>
<tr><td colspan="2">Accounting for construction contracts

Refer to Note 2.4 Critical Judgement (b): Revenue recognition, (c): Assessment of risk of foreseeable losses and total cost on construction contracts, Key sources of estimation uncertainty (d): Recognition of revenue using percentage of completion method, Note 3.10 Revenue recognition, Note 20 – Revenue.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's largest revenue stream is derived from construction contracts. Revenue for such contracts are accounted for based on the stage of completion of individual contracts. The stage of completion is determined using cost-to-cost method (i.e., actual cost installed or incurred over estimated total cost to complete each contract).

Both the determination of the percentage of completion and the amount of profit to be recognised in the income statement involve judgement and are subject to estimation uncertainties. Such estimates include:

• Budgeted total costs of delivering the entire contract; and

• Foreseeable losses, if any.</td><td>Our procedures include the following:

• We tested the controls designed and applied by the Group over the preparation and authorisation of budgeted costs, absorption of the labour, materials and overhead costs, and accuracy and completeness over the actual cost installed or incurred.

• We assessed the reliability of management's estimation of the budgeted costs by comparing the final outcomes of the contracts completed during the year to previous estimates of costs of those contracts.

• For a sample of contract assets and liabilities, we assessed the appropriateness of percentage of completion determined and therefore the revenue, profit and contract assets or liabilities recognised, by:

  • Assessing the adequacy of budgeted contract costs by comparing them with the actual costs incurred to-date and the final outcomes of the completed contracts of the same model;

  • Where applicable, identifying any changes in assumptions and estimates applied in the budget from previous years and evaluated the reasons provided by management for the changes;

  • Examine the accuracy of actual cost installed or incurred by validating to supporting documents;

  • Assessing the reasonableness of revenue recognised in income statement with reference to the percentage of completion determined; and

  • Enquiring with management on the progress of construction to identify possible delays or cost overruns that may require revision in budgeted contract costs or provision for foreseeable losses.

• We considered the adequacy of the Group's disclosure in describing the areas of judgement and estimation uncertainties involving revenue recognition, contract assets and liabilities.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

Findings:

We found that the budgeted contract costs were underestimated by management. Management has corrected the budgeted costs at year end. Thereafter, the result of our evaluation of the Group's revenue recognition is consistent with management's assessment.

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

Other information

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT **AUDITORS' REPORT**

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT **AUDITORS' REPORT**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 September 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	Group 30 June 2019 $'000	Group 30 June 2018 $'000	Group 1 July 2017 $'000	Company 30 June 2019 $'000	Company 30 June 2018 $'000	Company 1 July 2017 $'000
Non-current assets							
Property, plant and equipment	5	32,163	29,957	21,073	–	–	–
Subsidiaries	6	–	–	–	38,016	38,016	40,101
Intangible assets	7	7,763	8,376	8,949	–	–	–
Deferred tax assets	8	4,998	4,963	1,023	–	–	–
		44,924	43,296	31,045	38,016	38,016	40,101
Current assets							
Inventories	9	28,121	23,963	17,896	–	–	–
Contract assets	20	10,533	1,459	2,759	–	–	–
Trade and other receivables	10	496	5,776	472	7,843	5,983	2,527
Prepayments	11	866	1,254	1,112	102	20	14
Current tax recoverable		124	–	144	–	–	–
Cash and cash equivalents	12	8,552	8,437	15,871	22	73	96
		48,692	40,889	38,254	7,967	6,076	2,637
Total assets		93,616	84,185	69,299	45,983	44,092	42,738
Current liabilities							
Trade and other payables	13	10,044	10,773	9,498	374	412	320
Contract liabilities	20	9,568	8,571	8,612	–	–	–
Provision for warranty claims	14	2,469	2,070	1,169	–	–	–
Interest bearing loans and borrowings	15	8,399	433	393	–	–	–
Deferred consideration	16	480	465	–	–	–	–
Current tax payables		–	212	252	–	–	–
		30,960	22,524	19,924	374	412	320
Non-current liabilities							
Deferred tax liabilities	8	422	669	936	–	–	–
Interest bearing loans and borrowings	15	5,005	2,037	2,343	–	–	–
Deferred consideration	16	2,126	2,628	–	–	–	–
		7,553	5,334	3,279	–	–	–
Total liabilities		38,513	27,858	23,203	374	412	320
Capital and reserves							
Share capital	17	43,045	43,045	43,045	43,045	43,045	43,045
Share-based compensation reserve	18	381	370	359	381	370	359
Foreign currency translation reserve	19	(473)	1,342	–	–	–	–
Accumulated profits/(losses)		12,150	11,570	2,692	2,183	265	(986)
Total equity		55,103	56,327	46,096	45,609	43,680	42,418
Total equity and liabilities		93,616	84,185	69,299	45,983	44,092	42,738

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Revenue	20	79,568	81,966
Cost of sales		(62,635)	(61,601)
Gross profit		16,933	20,365
Selling and marketing expenses		(8,909)	(9,861)
Administrative expenses		(4,718)	(4,755)
Other operating expense, net		(778)	(680)
Total operating expenses		(14,405)	(15,296)
Profit from operations		2,528	5,069
Other non-operating (expense)/income, net	21	(678)	291
Finance cost		(627)	(161)
Profit before tax	21	1,223	5,199
Tax credit	22	277	3,679
Profit for the year attributable to owners of the Company		1,500	8,878

	Note	2019 Cents	2018 Cents
Earnings per share			
– Basic	24	0.81	4.82
– Diluted	24	0.81	4.80

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED 30 JUNE 2019

	2019 $'000	2018 $'000
Profit for the year	1,500	8,878
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation differences relating to financial statements of foreign subsidiaries	(1,815)	1,342
Other comprehensive income for the year, net of income tax	(1,815)	1,342
Total comprehensive income for the year attributable to owners of the Company	(315)	10,220

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 30 JUNE 2019

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

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 30 JUNE 2019

	Note	Share capital $'000	Share-based compensation reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000
Group						
At 1 July 2017		43,045	359	–	2,692	46,096
Total comprehensive income for the year						
Profit for the year		–	–	–	8,878	8,878
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiaries		–	–	1,342	–	1,342
Total other comprehensive income		–	–	1,342	–	1,342
Total comprehensive income for the year		–	–	1,342	8,878	10,220
Transactions with owners, recorded directly in equity						
Share-based payments	23	–	11	–	–	11
Total transactions with owners		–	11	–	–	11
At 30 June 2018		43,045	370	1,342	11,570	56,327

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from operating activities			
Profit after tax		1,500	8,878
Adjustments for:			
Depreciation of property, plant and equipment	5	3,642	3,283
Amortisation of intangible assets	7	126	134
Property, plant and equipment written off	5	213	135
Loss on disposal of property, plant and equipment		11	–
Net allowance made for inventories obsolescence		321	588
Interest income	21	(23)	(39)
Interest expense		627	161
Provision for warranty claims	14	3,488	1,778
Equity-settled share-based compensation		11	11
Tax credit		(277)	(3,679)
Unrealised foreign exchange gain		(364)	(217)
		9,275	11,033
Changes in working capital:			
Increase in inventories		(5,336)	(6,003)
Decrease/(Increase) in trade and other receivables		4,940	(4,996)
Decrease/(Increase) in prepayments		383	(93)
(Increase)/Decrease in contract assets		(9,197)	1,300
Increase/(Decrease) in contract liabilities		3,013	(41)
(Decrease)/Increase in trade and other payables		(1,445)	1,127
Cash generated from operations		1,633	2,327
Net income taxes paid		(195)	(244)
Warranty claims expended		(3,007)	(960)
Net cash (used in)/from operating activities		(1,569)	1,123
Cash flows from investing activities			
Interest received		23	39
Purchase of property, plant and equipment	5	(7,684)	(8,274)
Net cash used in investing activities		(7,661)	(8,235)
Cash flows from financing activities			
Dividend paid to owners of the Group		(920)	–
Interest paid		(573)	(158)
Repayment of bank borrowings		(3,376)	(307)
Repayment of deferred consideration		(460)	–
Proceeds from bank borrowings		14,484	–
Net cash from/(used in) financing activities		9,155	(465)
Net decrease in cash and cash equivalents		(75)	(7,577)
Cash and cash equivalents at beginning of year		8,305	15,741
Effect of exchange rate changes on balances held in foreign currency		195	141
Cash and cash equivalents at end of year	12	8,425	8,305

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 September 2019.

1 DOMICILE AND ACTIVITIES

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

The principal activities of the Company are those of an investment holding company with significant subsidiaries in the business of manufacturing and selling luxury yachts worldwide. See Note 6 to the financial statements for additional information on the subsidiaries.

The financial statements of the Group as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 29.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements

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

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

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 in assessing the value-in-use to determine the recoverable account.

b. Revenue recognition

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

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

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

d. Recognition of deferred tax assets

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

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Critical judgement (Continued)

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

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

f. Impairment in investment in subsidiary

The carrying values of investments in subsidiaries are reviewed for impairment whenever there is any indication that the investment is impaired. This determination requires significant judgement. The Group's manufacturing and sales operations are integrated and generate interdependent cash flows. The impairment assessment for investments in subsidiaries is performed on the same CGU determined for purposes of assessing impairment of goodwill (see Note 6 and 2.4(e)).

Key sources of estimation uncertainty

a. Depreciation of property, plant and equipment

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

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

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

c. Measurement for provision for warranty claims

The provision recognised represents management's best estimate of the present value of the future cost required in the event that warranty claims arise. Management assesses the provision based on historical warranty data. Significant estimates and assumptions are made in determining the amount of warranty provision. The provisions recognised are periodically reviewed and updated based on the facts and circumstances available at the time. Movements in the provision for warranty claims are disclosed in Note 14.

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Key sources of estimation uncertainty (Continued)

d. Recognition of revenue using percentage of completion method

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

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

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

f. Measurement of allowance for inventories obsolescence

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

Measurement of fair value

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

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

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair value (Continued)

- *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 set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 July 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by the Group.

3.1 Basis of consolidation

Business combination

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combination (Continued)

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

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Subsidiaries in the separate financial statements

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

3.2 Foreign currency

Foreign currency transactions

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income (OCI). Since 1 July 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve in equity.

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

3.3 Property, plant and equipment

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

The estimated useful lives are as follows:

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. No depreciation is provided on freehold land or in respect of assets under construction.

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

3.4 Intangible assets and goodwill

Goodwill

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

Subsequent measurement

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

Trademarks

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

Order backlog

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

(i) Non-derivative financial assets and financial liabilities

Recognition and initial measurement

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

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

Classification and subsequent measurement

Policy under SFRS(I) 9 (applicable from 1 July 2018)

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

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

Financial assets at amortised cost

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

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

Business model assessment – Policy applicable from 1 July 2018

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(i) ***Non-derivative financial assets and financial liabilities*** (Continued)

Business model assessment – Policy applicable from 1 July 2018 (Continued)

- how the performance of the portfolio is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 July 2018

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

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

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

Subsequent measurement and gains and losses – Policy applicable from 1 July 2018

Financial assets at amortised cost

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

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

Policy under FRS 39 (applicable before 1 July 2018)

Recognition and initial measurement

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were 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 were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents and trade and other receivables.

Non-derivative financial liabilities

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

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

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

Derecognition

Financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(i) *Non-derivative financial assets and financial liabilities* (Continued)

Derecognition (Continued)

Financial liabilities

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

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

Offsetting

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

Cash and cash equivalents

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

(ii) *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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment

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

Policy under SFRS(I) 9 (applicable from 1 July 2018)

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

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

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

Simplified approach

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

General approach

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

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

General approach (Continued)

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

Measurement of expected credit losses (ECLs)

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

Credit-impaired financial assets

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

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

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

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

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

Write-off

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

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

Policy under FRS 39 (applicable before 1 July 2018)

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.

Financial assets carried at amortised cost

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

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

Non-financial assets

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

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

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

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

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average costing principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories (Continued)

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.

3.8 Provisions

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

Provision for warranty claims

The warranty provision represents the best estimate of the Group's contractual obligations at the balance sheet date. Under the terms of the revenue contracts with customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The contractual warranty obligation is for 1 year from date of delivery to customer. The Group's experience of the proportion of its products sold that requires repair or replacement differs from year to year as every contract is customised to the specification of the customers. The estimation of the provision for warranty expenses is based on the Group's past claim experience in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales.

3.9 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)

3.9 Employee benefits (Continued)

Share-based payment transactions

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

Termination benefits

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

3.10 Revenue recognition

Goods and services sold

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

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

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

3.11 Tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Tax (Continued)

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

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

Deferred tax is not recognised for:

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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.

3.13 Interest income

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

3.14 Foreign currency gains and losses

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

3.15 Finance cost

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

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

3.16 Earnings per share

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

3.17 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 29.

4 ACQUISITION OF ASSETS

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

The deferred consideration of $3.04 million is financed by the seller, who is an independent third party and unrelated to the Group, through a secured six-year promissory note at 4% per annum. The note is secured on the shares of SYC (see Note 16).

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

	2018 **$'000**
Cash	1
Inventory	46
Freehold land	2,734
Buildings	1,518
Total	4,299

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

5 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings on freehold land* $'000	Freehold land* $'000	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 2017	–	–	10,566	7,991	5,583	5,777	27,653	248	568	58,386
Additions	1,518	2,734	1,394	–	688	1,176	60	–	3,745	11,315
Reclass	–	–	–	–	–	–	1,553	–	(1,553)	–
Write-off	–	–	(179)	–	(191)	(212)	–	–	(135)	(717)
Translation adjustment	26	50	595	433	286	276	1,016	7	83	2,772
At 30 June 2018	1,544	2,784	12,376	8,424	6,366	7,017	30,282	255	2,708	71,756
At 1 July 2018	1,544	2,784	12,376	8,424	6,366	7,017	30,282	255	2,708	71,756
Additions	–	–	1,005	–	685	795	–	86	5,113	7,684
Disposals	–	–	–	–	–	–	–	(71)	–	(71)
Reclass	–	–	–	–	–	251	3,824	–	(4,075)	–
Write-off	–	–	–	–	(2,545)	(3,785)	(3,925)	–	(204)	(10,459)
Translation adjustment	–	(23)	(425)	(280)	(207)	(217)	(1,577)	(8)	(99)	(2,836)
At 30 June 2019	1,544	2,761	12,956	8,144	4,299	4,061	28,604	262	3,443	66,074

* See Note 4 for asset acquisition in prior financial year.

** Charged against bank borrowings see Note 15.

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Buildings on freehold land $'000	Freehold land $'000	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 2017		–	–	5,916	1,590	4,007	4,136	21,532	132	–	37,313
Charge for the year	21	5	–	160	181	315	531	2,059	32	–	3,283
Write-off		–	–	(179)	–	(191)	(212)	–	–	–	(582)
Translation adjustment		9	–	322	90	231	198	932	3	–	1,785
At 30 June 2018		14	–	6,219	1,861	4,362	4,653	24,523	167	–	41,799
At 1 July 2018		14	–	6,219	1,861	4,362	4,653	24,523	167	–	41,799
Charge for the year	21	46	–	190	181	332	766	2,090	37	–	3,642
Disposal		–	–	–	–	–	–	–	(60)	–	(60)
Write-off		–	–	–	–	(2,545)	(3,776)	(3,925)	–	–	(10,246)
Translation adjustment		–	–	(209)	(64)	(136)	(154)	(655)	(6)	–	(1,224)
At 30 June 2019		60	–	6,200	1,978	2,013	1,489	22,033	138	–	33,911
Carrying amounts											
At 1 July 2017		–	–	4,650	6,401	1,576	1,641	6,121	116	568	21,073
At 30 June 2018		1,530	2,784	6,157	6,563	2,004	2,364	5,759	88	2,708	29,957
At 30 June 2019		1,484	2,761	6,756	6,166	2,286	2,572	6,571	124	3,443	32,163

Assets under construction

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

6 SUBSIDIARIES

	Company 2019 $'000	2018 $'000	1 July 2017 $'000
Unquoted ordinary shares, at cost	21,726	21,726	16,902
Unquoted preference shares, at cost	15,222	15,222	12,810
Equity investments at cost	36,948	36,948	29,712
Amounts due from a subsidiary (non-current)	1,068	1,068	10,389
Total	38,016	38,016	40,101

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

The non-current amounts due from a subsidiary of $1,068,000 (2018: $1,068,000; 1 July 2017: $10,389,000) are unsecured and the settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substances, part of the Company's net investment in the subsidiary, they are stated at cost.

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

	Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Company 2019 %	2018 %	1 July 2017 %
+	GB Yachts Pte. Ltd.	The subsidiary carries out the Group's sales activities and provides certain management services to the Malaysia, United States and Australia subsidiaries.	Singapore	100	100	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	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	100
#	Grand Banks Yachts Australia Pty Ltd	The subsidiary carries out the Group's sales and marketing activities in the Australia. It also sells new and previously-owned yachts.	Australia	100	100	100

6 SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Company 2019 %	2018 %	1 July 2017 %
@	Palm Beach Motor Yacht Co Pty Ltd	The subsidiary operates as a contract manufacturer for GBS in Australia. It also operates the manufacturing plant to sell to domestic customers.	Australia	100	100	100

\# Not required to be audited by law of country of incorporation.

@ Audited by overseas affiliates of KPMG LLP.

\+ Audited by KPMG Singapore.

7 INTANGIBLE ASSETS

	Goodwill $'000	Club memberships $'000	Trademarks $'000	Order backlog $'000	Total $'000
Group					
Cost					
At 1 July 2017	7,109	66	2,480	487	10,142
Translation adjustment	(352)	2	(113)	(24)	(487)
At 30 June 2018	6,757	68	2,367	463	9,655
At 1 July 2018	6,757	68	2,367	463	9,655
Translation adjustment	(396)	–	(125)	(3)	(524)
At 30 June 2019	6,361	68	2,242	460	9,131

	Note	Goodwill $'000	Club memberships $'000	Trademarks $'000	Order backlog $'000	Total $'000
Accumulated amortisation						
At 1 July 2017		–	66	640	487	1,193
Amortisation	21	–	–	134	–	134
Translation adjustment		–	2	(26)	(24)	(48)
At 30 June 2018		–	68	748	463	1,279
At 1 July 2018		–	68	748	463	1,279
Amortisation	21	–	–	126	–	126
Translation adjustment		–	–	(34)	(3)	(37)
At 30 June 2019		–	68	840	460	1,368
Carrying amounts						
At 1 July 2017		7,109	–	1,840	–	8,949
At 30 June 2018		6,757	–	1,619	–	8,376
At 30 June 2019		6,361	–	1,402	–	7,763

7 INTANGIBLE ASSETS (CONTINUED)

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

Impairment tests for cash-generating units containing goodwill

Goodwill arose from the acquisition of PBMY. For the purpose of impairment testing, goodwill of $6,361,000 (2018: $6,757,000; 1 July 2017: $7,109,000) is allocated to the manufacturing and trading business segment which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amount of a cash-generating unit is determined based on value-in-use determined by discounting the future cash flows to be generated from the continuing use of the cash-generating unit. Cash flows projection used in the value-in-use calculation was based on a five-year (2018: three-year) financial budget approved by management. Cash flows beyond the five-year period (2018: three-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	
	2019	**2018**
	%	**%**
Compounded annual revenue growth rate	3.4	4.0
Average gross profit margin	25.0	24.8
Terminal value growth rate	0.0	0.0
Discount rate (pre-tax)	12.4	12.6

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

8 DEFERRED TAX (ASSETS) AND LIABILITIES

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

	Assets			Liabilities		
	2019 $'000	2018 $'000	1 July 2017 $'000	2019 $'000	2018 $'000	1 July 2017 $'000
Group						
Property, plant and equipment	–	–	–	422	669	385
Intangible assets	–	–	–	–	–	551
Provisions	(120)	(221)	(211)	–	–	–
Tax losses and capital allowance	(4,878)	(4,742)	(812)	–	–	–
Deferred tax (assets)/ liabilities	(4,998)	(4,963)	(1,023)	422	669	936

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

	At 1 July 2017 $'000	Recognised in profit or loss (Note 22) $'000	Translation adjustment $'000	At 1 July 2018 $'000	Recognised in profit or loss (Note 22) $'000	Translation adjustment $'000	At 30 June 2019 $'000
Group							
Deferred tax (assets)/ liabilities							
Property, plant and equipment and intangible assets	936	(227)	(40)	669	(211)	(36)	422
Provisions	(211)	(20)	10	(221)	2	99	(120)
Tax losses and capital allowance	(812)	(3,689)	(241)	(4,742)	(145)	9	(4,878)
Net deferred tax (assets)/liabilities	(87)	(3,936)	(271)	(4,294)	(354)	72	(4,576)

8 DEFERRED TAX (ASSETS) AND LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

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

	Group		
	2019	**2018**	**1 July 2017**
	$'000	**$'000**	**$'000**
Deductible temporary differences	–	–	4,038
Unutilised tax losses	3,642	5,871	21,864
Unutilised capital allowances	–	–	4,078
	3,642	5,871	29,980

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

9 INVENTORIES

	Group		
	2019	**2018**	**1 July 2017**
	$'000	**$'000**	**$'000**
Raw materials and components	10,084	9,564	9,412
Allowance for inventory obsolescence	(2,224)	(2,393)	(2,117)
	7,860	7,171	7,295
Stock boats at net realisable value	13,684	2,632	4,885
Work-in-progress for stock boats	6,577	14,160	5,716
Total	28,121	23,963	17,896

In 2019, changes in raw materials and components, stock boats and work-in-progress included in cost of sales amounted to $57,989,366 (2018: $58,788,015).

As at 30 June 2019, certain stock boats with carrying amount of $6,406,000 were held by a bank as security interest for inventory financing loan as disclosed in Note 15.

Usage of raw materials, changes in work-in-progress and changes in finished goods are main components of the cost of sales shown in profit or loss. Cost of sales also includes an allowance for inventory obsolescence which is provided to be consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Stock boats are carried at lower of cost and net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the reporting date. These estimates take into consideration market demand, competition, and selling price and cost directly relating to events occurring after the end of the financial year to the extent that such events confirm conditions existing at the end of the financial year.

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YEAR ENDED 30 JUNE 2019

10 TRADE AND OTHER RECEIVABLES

		Group			Company	
	2019 $'000	2018 $'000	1 July 2017 $'000	2019 $'000	2018 $'000	1 July 2017 $'000
Trade receivables	294	5,595	16	–	–	–
Refundable deposits	137	155	124	–	–	–
Interest receivable	–	–	24	–	–	–
Other receivables	65	26	308	–	–	–
Dividend receivables	–	–	–	3,807	3,211	–
Amounts due from subsidiaries (non-trade)	–	–	–	4,036	2,772	2,527
	496	5,776	472	7,843	5,983	2,527

The current outstanding balances with subsidiaries are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances with subsidiaries.

The Group's credit and currency risks and impairment losses for trade and other receivables are disclosed in Note 27.

11 PREPAYMENTS

		Group			Company	
	2019 $'000	2018 $'000	1 July 2017 $'000	2019 $'000	2018 $'000	1 July 2017 $'000
Payments in advance for purchases of raw materials and components	384	720	771	–	–	–
Prepaid operating expenses	482	534	341	102	20	14
	866	1,254	1,112	102	20	14

12 CASH AND CASH EQUIVALENTS

	Group			Company		
	2019 $'000	2018 $'000	1 July 2017 $'000	2019 $'000	2018 $'000	1 July 2017 $'000
Cash and bank balances	2,876	2,965	3,716	22	73	96
Short-term deposits	5,676	5,472	12,155	–	–	–
Cash and cash equivalents in the statements of financial position	8,552	8,437	15,871	22	73	96
Deposits pledged	(127)	(132)	(130)	–	–	–
Cash and cash equivalents in the statement of cash flows	8,425	8,305	15,741	22	73	96

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

Cash at banks earns interest at floating rates based on the daily bank deposits rates. Short-term deposits are placed for varying periods of between 5 to 365 days (2018: 5 to 365 days; 1 July 2017: 5 to 365 days) and earn interest at rates generally higher than those earned by cash and bank balances.

13 TRADE AND OTHER PAYABLES

	Group			Company		
	2019 $'000	2018 $'000	1 July 2017 $'000	2019 $'000	2018 $'000	1 July 2017 $'000
Trade payables	4,842	4,555	3,607	–	–	–
Refundable deposits	–	–	340	–	–	–
Accrued operating expenses	5,202	6,218	5,551	374	412	320
Financial liabilities	10,044	10,773	9,498	374	412	320

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14 PROVISION FOR WARRANTY CLAIMS

	Note	2019 $'000	Group 2018 $'000	1 July 2017 $'000
Beginning of the year		2,070	1,169	1,181
Provision made during the year	21	3,488	1,778	946
Claims expended during the year		(3,007)	(960)	(906)
Translation adjustment		(82)	83	(52)
End of the year		2,469	2,070	1,169

The provision for warranty is set up to cover the estimated liability in respect of warranty claims for the sale of completed yachts. The provision is based on historical warranty claims for the past 4 years. The Group expects to incur the liability over the next 12 months.

15 INTEREST BEARING LOANS AND BORROWINGS

	2019 $'000	Group 2018 $'000	1 July 2017 $'000
Secured bank loan	4,908	2,470	2,736
Inventory financing	8,496	–	–
	13,404	2,470	2,736
Represented by:			
– Current	8,399	433	393
– Non-current	5,005	2,037	2,343
Total	13,404	2,470	2,736

As at 30 June 2019, a subsidiary of the Group has secured bank loan of $4,908,000 (2018: $2,470,000; 1 July 2017: $2,736,000). The bank loan is denominated in Malaysia Ringgit and is secured over the leasehold land of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia, which has a carrying amount of $6,616,000 (2018: $6,563,000; 1 July 2017: $6,401,000) (see Note 5) and corporate guarantee provided by the Company to the bank.

15 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee provided.

The secured bank loans bear an interest rate ranging from 5.32% to 5.45% (2018: 5.20% to 5.45%; 1 July 2017: 5.15% to 5.35%) per annum and are repayable between year 2019 to 2023 (2018: 2018 to 2023; 1 July 2017: 2017 to 2023). Interest rates are repriced within the year.

The inventory financing loan was obtained by a subsidiary for the purpose of purchasing stock boats. The inventory financing loan is secured over the respective stock boats with carrying amount of S$6,406,000 and bears an interest rate of 6.5%. All repayment are due in 18 months from the drawdown date.

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

	Note	Liabilities		
		Interest bearing loans and borrowings $'000	Deferred consideration $'000	Total $'000
Balance at 1 July 2018		2,470	3,093	5,563
Changes from financing cash flows				
Repayments of term loans		(3,376)	(460)	(3,836)
Proceed from borrowings		14,484	–	14,484
Interest paid		(457)	(116)	(573)
Total changes from financing cash flows		10,651	(576)	10,075
The effect of changes in foreign exchange rates		(228)	(27)	(255)
Other changes				
Liability-related				
Interest expense		511	116	627
Total liability-related other changes		511	116	627
Balance at 30 June 2019		13,404	2,606	16,010
Balance at 1 July 2017		2,736	–	2,736
Changes from financing cash flows				
Repayments of term loans		(308)	–	(308)
Interest paid		(152)	(5)	(157)
Total changes from financing cash flows		(460)	(5)	(465)
The effect of changes in foreign exchange rates		42	52	94
Other changes				
Liability-related				
Acquisition of assets of Stuart Yacht Corporation	4	–	3,041	3,041
Interest expense		152	5	157
Total liability-related other changes		152	3,046	3,198
Balance at 30 June 2018		2,470	3,093	5,563

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

16 DEFERRED CONSIDERATION

	Group		
	2019 $'000	2018 $'000	1 July 2017 $'000
Secured promissory note			
– Current	480	465	–
– Non-current	2,126	2,628	–
	2,606	3,093	–

On 9 May 2018, one of the subsidiaries issued a promissory note to the seller for the acquisition of assets of SYC. The promissory note is denominated in United States dollars and is secured over the shares of SYC. The secured promissory note bears a fixed interest rate of 4% and is repayable between year 2018 to 2024.

17 SHARE CAPITAL

		2019		2018		1 July 2017	
	Note	Number of shares '000	$'000	Number of shares '000	$'000	Number of shares '000	$'000
Fully paid:							
Beginning of the year		184,235	43,045	184,235	43,045	184,035	42,999
Issue of ordinary shares	23	–	–	–	–	200	46
End of the year		184,235	43,045	184,235	43,045	184,235	43,045

A holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The Group considers capital to be its share capital. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group. The Group is in a net cash position. Net cash is calculated as cash and cash equivalents less external borrowings, if any.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

18 SHARE-BASED COMPENSATION RESERVE

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

19 FOREIGN CURRENCY TRANSLATION RESERVE

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

20 REVENUE

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

Revenue from construction contracts

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

Revenue from boat brokerage

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

20 REVENUE (CONTINUED)

Revenue of services

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

Sale of stock boats, trade-in boats and parts

Nature of goods or services	The Group generates revenue from the sale of stock boats, trade-in boats and other spare parts of boats.
When revenue is recognised	Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and other sales taxes, and is derived at after deduction of trade discounts.
Significant payment terms	Invoice is issued when goods are delivered to the customer. Payment is due within 7 days from date of invoice.
Obligations for warranties	Under the terms of the revenue contracts with customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of delivery for stock boats manufactured by the Group. The contractual warranty obligation is for 1 year. There is no warranty applicable for sale of parts or stock boats that are not manufactured by the Group.

Disaggregation of revenue from contracts with customers

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

	Group	
	2019	**2018**
	$'000	**$'000**
Revenue from construction contracts	54,719	62,450
Revenue from boat brokerage	1,722	2,259
Rendering of services	1,596	1,006
Sales of stock boats	13,919	8,293
Sales of trade-in boats	7,070	7,440
Sales of parts	542	518
	79,568	81,966
Timing of revenue recognition		
Transferred at a point in time	24,849	19,516
Transferred over time	54,719	62,450
	79,568	81,966

20 REVENUE (CONTINUED)

Contract balances

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

	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Trade receivables	294	5,595	16
Contract assets	10,533	1,459	2,759
Contract liabilities	(9,568)	(8,571)	(8,612)

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

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

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

	Contract assets		Contract liabilities	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue recognised in relation to contract liabilities				
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	23,341	31,604
Changes in measurement of progress	22,813	17,398	–	–
Reversal of revenue recognised	(2,359)	–	–	–

As at 30 June 2019, the Group had a receivable of S$479,000 (2018: Nil) related to a contract customer who had not paid on time due to personal reasons. Accordingly, the related contract asset amounting to S$2,359,000 (2018: Nil) was derecognised. As the Group has custody and collateral over the unfinished boat contracted by the customer, the cost of the unfinished boat amounting to S$2,317,000 was reclassified to Inventories and included as stock boats as at 30 June 2019.

20 REVENUE (CONTINUED)

Contract balances (Continued)

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

- the performance obligation is part of a contract that has an original expected duration of one year or less; or

- the Company has a right to invoice a customer in an amount that corresponds directly with its performance to date, than it recognises revenue in that amount.

21 PROFIT BEFORE TAX

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

	Note	Group 2019 $'000	Group 2018 $'000
Wages, salaries and other employee benefits		28,763	26,896
Contributions to defined contribution plans, included in wages and salaries related costs		1,467	1,461
Equity-settled share-based compensation, included in wages and salaries related costs		11	11
Net allowance made for inventories obsolescence		321	588
Property, plant and equipment written off	5	213	135
Depreciation of property, plant and equipment	5	3,642	3,283
Amortisation of intangible assets	7	126	134
Provision for warranty claims	14	3,488	1,778
Auditors' remuneration			
– auditors of the Company		260	223
– overseas affiliates of KPMG LLP		112	104
Non-audit fees paid to:			
– auditors of the Company		19	40
– overseas affiliates of KPMG LLP		–	6
Operating lease expenses		522	441
Other non-operating (expense)/income, net			
Foreign exchange loss, net		(818)	(62)
Interest income from bank		23	39
Rental income		26	94
Sundry income		45	240
Others		46	(20)
		(678)	291

22 TAX CREDIT

	Group	
	2019	2018
	$'000	$'000
Current tax		
Current year	171	374
Over provision in prior years	(94)	(56)
	77	318
Deferred tax		
Origination and reversal of temporary differences	(303)	(1,385)
Recognition of tax effect of previously unrecognised tax losses and capital allowance	(51)	(2,612)
	(354)	(3,997)
Tax credit	(277)	(3,679)
Reconciliation of effective tax rate		
Profit before tax	1,223	5,199
Tax at the domestic rates applicable to profits in the countries where the Group operates	91	1,265
Adjustments:		
Non-deductible expenses	464	231
Non-taxable income	–	(76)
Deferred tax assets not recognised	–	2
Utilisation of deferred tax assets previously not recognised	(535)	(1,242)
Recognition of previously unrecognised capital allowance and tax losses	(51)	(2,612)
Recognition of previously unrecognised temporary differences	(213)	(1,324)
Overprovision in prior years	(94)	(56)
Withholding tax	79	147
Others	(18)	(14)
	(277)	(3,679)

23 SHARE-BASED COMPENSATION

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

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23 SHARE-BASED COMPENSATION (CONTINUED)

The Group has the following share-based payment arrangements:

PSP (equity-settled)

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

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

ESOS (equity-settled)

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

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

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

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

No share options were exercised in 2019. The share price for share options exercised in 2018 was $0.30.

23 SHARE-BASED COMPENSATION (CONTINUED)

Measurement of fair values

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

Fair value of ESOS and assumptions

		ESOS	
Option term	10 years	5 years	10 years
Date of grant of options	5 July 2017	2 March 2015	2 March 2015
Fair value at grant date	$0.0705	$0.0703	$0.0704
Share price at grant date	$0.280	$0.230	$0.230
Exercise price	$0.280	$0.228	$0.228
Expected volatility	46%	56%	56%
Option life (expected exercise period)	2.90 years	2.56 years	3.33 years
Expected dividends	1%	1%	1%
Risk-free interest rate (based on government bonds)	1.32%	1.14%	1.29%

During the year, the Group charged $11,000 (2018: $11,000) to the profit or loss based on the fair value of the share options at the grant date being expensed over the vesting period.

24 EARNINGS PER SHARE

	Group	
	2019	**2018**
Basic earnings per share		
Basic earnings per share is based on:		
Profit for the year ($'000)	1,500	8,878
Number of shares outstanding at beginning of the year ('000)	184,235	184,235
Effect of shares issued during the year ('000)	–	–
Weighted average number of ordinary shares at the end of the year ('000)	184,235	184,235
Diluted earnings per share		
Diluted earnings per share is based on:		
Profit for the year ($'000)	1,500	8,878
Number of shares outstanding at beginning of the year ('000)	184,235	184,235
Effect of shares issued during the year ('000)	–	–
Weighted average number of unissued ordinary shares from share options ('000)	3,300	3,300
Weighted average number of ordinary shares that would have been issued at average market price under the share options plan ('000)	(2,637)	(2,521)
Weighted average number of ordinary shares at the end of the year ('000)	184,898	185,014

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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	
	2019 $'000	2018 $'000
Short-term benefits	1,412	1,390
Contribution to defined contribution plans	42	45
Fair value of share based compensation	11	11
	1,465	1,446

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 $258,000 (2018: $252,000).

26 COMMITMENTS

Operating lease commitments

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

	Group	
	2019 $'000	2018 $'000
Payable:		
Within 1 year	351	414
After 1 year but within 5 years	81	449
	432	863

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

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.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk management framework

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

Credit risk

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

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

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

Exposure to credit risk

Trade receivables and contract assets

As at 30 June 2019, there were no significant concentrations of credit risk. A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

	30 June 2019 Not Credit-impaired $'000
Receivables measured at lifetime ECL	
Trade receivables	294
Contract assets	10,533
Total	10,827

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Comparative information under FRS 39

An analysis of the credit quality of trade receivables and contract assets that were neither past due nor impaired and the ageing of trade receivables and contract assets that were past due but not impaired is as follows:

	Group	
	30 June 2018 $'000	**1 July 2017 $'000**
Receivables measured at lifetime ECL		
Trade receivables	5,595	16
Contract assets	1,459	2,759
Total	7,054	2,775

There are no receivables that are past due as at 30 June 2018 and 1 July 2017.

Expected credit loss assessment

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

There were no impairment loss recognised for other receivables in 2019 and 2018.

Amount due from related parties

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

Other receivables

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

Cash and cash equivalents

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

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

				Cash flows		
	Note	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 2 to 5 years $'000**	**More than 5 years $'000**
Group						
30 June 2019						
Trade and other payables*	13	10,044	10,044	10,044	–	–
Interest bearing loans and borrowings	15	13,404	14,254	8,399	5,855	–
Deferred consideration	16	2,606	3,066	480	2,586	–
30 June 2018						
Trade and other payables*	13	10,773	10,773	10,773	–	–
Interest bearing loans and borrowings	15	2,470	2,836	558	2,231	47
Deferred consideration	16	3,093	3,490	582	2,326	582
1 July 2017						
Trade and other payables*	13	9,498	9,498	9,498	–	–
Interest bearing loans and borrowings	15	2,736	3,194	525	2,100	569
Company						
30 June 2019						
Trade and other payables	13	374	374	374	–	–
30 June 2018						
Trade and other payables	13	412	412	412	–	–
1 July 2017						
Trade and other payables	13	320	320	320	–	–

* 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)

Liquidity risk (Continued)

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

Interest rate risk

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

		Group Carrying amount			Company Carrying amount		
	Note	**2019 $'000**	**2018 $'000**	**1 July 2017 $'000**	**2019 $'000**	**2018 $'000**	**1 July 2017 $'000**
Fixed rate instruments							
Deferred consideration	16	2,606	3,093	–	–	–	–
Variable rate instruments							
Cash and cash equivalents	12	8,552	8,437	15,871	22	73	96
Interest bearing loans and borrowings	15	(13,404)	(2,470)	(2,736)	–	–	–
		(4,852)	5,967	13,135	22	73	96

Fair value sensitivity analysis for fixed rate instruments

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

A change of 100 basis points in interest rates would have increased or decreased equity by $26,000 (2018: $31,000) for the Group. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

Sensitivity analysis for variable rate instruments

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
100 bp increase				
Increase in profit before tax	(49)	60	–*	–

* Amount is less than $1,000.

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

Foreign currency risk

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

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

	USD	SGD	AUD	EUR
	$'000	$'000	$'000	$'000
Group				
30 June 2019				
Financial assets				
Amortised cost	474	33	37	–
Cash and cash equivalents	4,087	3,790	653	–
Financial liabilities				
Trade and other payables	(2,211)	(1,093)	(1,451)	(1,536)
Net currency exposure	2,350	2,730	(761)	(1,536)
30 June 2018				
Financial assets				
Loans and receivables	–	14	425	–
Cash and cash equivalents	1,126	734	1,798	166
Financial liabilities				
Trade and other payables	(504)	(1,467)	(289)	(824)
Net currency exposure	622	(719)	1,934	(658)

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

	USD $'000	SGD $'000	AUD $'000	EUR $'000
1 July 2017				
Financial assets				
Loans and receivables	4	1,019	2,696	–
Cash and cash equivalents	2,259	54	2,543	50
Financial liabilities				
Trade and other payables	(1,858)	(2,384)	(840)	(410)
Net currency exposure	405	(1,311)	4,399	(360)

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

Sensitivity analysis

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

	Profit from operations $'000
Group	
At 30 June 2019	
USD	24
SGD	27
AUD	(8)
EUR	(15)
At 30 June 2018	
USD	6
SGD	(7)
AUD	19
EUR	(7)

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

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

	Note	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group					
30 June 2018					
Cash and cash equivalents	12	8,437	–	8,437	8,437
Trade and other receivables	10	5,776	–	5,776	5,776
		14,213	–	14,213	14,213
Trade and other payables*	13	–	10,773	10,773	10,773
Interest bearing loans and borrowings	15	–	2,470	2,470	2,470
Deferred consideration	16	–	3,093	3,093	3,093
		–	16,336	16,336	16,336
1 July 2017					
Cash and cash equivalents	12	15,871	–	15,871	15,871
Trade and other receivables	10	472	–	472	472
		16,343	–	16,343	16,343
Trade and other payables*	13	–	9,498	9,498	9,498
Interest bearing loans and borrowings	15	–	2,736	2,736	2,736
		–	12,234	12,234	12,234

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair values of financial assets and financial liabilities (Continued)

	Note	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Company					
30 June 2019					
Cash and cash equivalents	12	22	–	22	22
Trade and other receivables	10	7,843	–	7,843	7,843
		7,865	–	7,865	7,865
Trade and other payables	13	–	374	374	374
30 June 2018					
Cash and cash equivalents	12	73	–	73	73
Trade and other receivables	10	5,983	–	5,983	5,983
		6,056	–	6,056	6,056
Trade and other payables	13	–	412	412	412
1 July 2017					
Cash and cash equivalents	12	96	–	96	96
Trade and other receivables	10	2,527	–	2,527	2,527
		2,623	–	2,623	2,623
Trade and other payables	13	–	320	320	320

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

Interest-bearing loans and borrowings

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

Deferred consideration

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

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity and where the effect of discounting is immaterial.

Accordingly, no fair value hierarchy information is disclosed for such financial assets and liabilities.

28 OPERATING SEGMENTS

The Group engages predominantly in the manufacturing and sale of luxury yachts. The Group assessed its operating segment and determined that it has two operating and reporting segments (2018: two operating and reporting segments) which is the manufacturing & trading segment – comprising manufacturing and sale of yachts to end customers (2018: manufacturing and sales of yachts to end customers) and others (being brokerage income, trade-in sales and service income).

The operating segments contains various functions that are inter-dependent to support the Group's operating activities and performance. Based on the combined activities of these key functions, the Group's CEO, who is the chief operating decision maker (CODM), assesses performance against an approved Group's budget and makes resource allocation decisions that will maximise the utilisation of production capacity and operating efficiency of the operating segments, to achieve the Group's budget.

Reconciliation includes unallocated head office revenue, expenses, assets, liabilities and consolidation adjustments which are not directly attributable to a particular segment.

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

28 OPERATING SEGMENTS (CONTINUED)

	Manufacturing and trading segment		Others#		Reconciliation: Corporate		Reconciliation: Adjustments		Reconciliation: Consolidated	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue and expenses										
External revenue	69,236	73,184	10,332	8,782	–	–	–	–	79,568	81,966
Inter-segment revenue	3,416	3,123	1,834	371	3,807	2,059	(9,057)	(5,553)	–	–
Total revenue	72,652	76,307	12,166	9,153	3,807	2,059	(9,057)	(5,553)	79,568	81,966
Segment results*	11,420	12,748	394	292	2,838	1,251	(9,057)	(5,553)	5,595	8,738
Depreciation and amortisation	(3,768)	(3,417)	–	–	–	–	–	–	(3,768)	(3,417)
Interest income	23	39	–	–	–	–	–	–	23	39
Interest expense	(627)	(161)	–	–	–	–	–	–	(627)	(161)
Operating profit before tax	7,048	9,209	394	292	2,838	1,251	(9,057)	(5,553)	1,223	5,199
Income tax credit	277	3,679	–	–	–	–	–	–	277	3,679
Segment profit	7,325	12,888	394	292	2,838	1,251	(9,057)	(5,553)	1,500	8,878

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

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

28 OPERATING SEGMENTS (CONTINUED)

	Manufacturing and trading segment		Others#		Reconciliation: Corporate		Reconciliation: Adjustments		Reconciliation: Consolidated	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Other material non-cash items:										
Allowance made for inventory obsolescence	(321)	(588)	–	–	–	–	–	–	(321)	(588)
Property, plant and equipment written off	(213)	(135)	–	–	–	–	–	–	(213)	(135)
Provisions for warranty claims	(3,488)	(1,778)	–	–	–	–	–	–	(3,488)	(1,778)
Assets and liabilities										
Segment assets	88,224	79,129	–	–	45,983	44,092	(45,859)	(43,999)	88,348	79,222
Tax assets	5,122	4,963	–	–	–	–	–	–	5,122	4,963
Segment liabilities	37,572	26,565	–	–	374	412	–	–	37,946	26,977
Tax liabilities	422	881	–	–	–	–	–	–	422	881
Capital expenditures	7,684	11,315	–	–	–	–	–	–	7,684	11,315

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:

	2019 $'000	2018 $'000
Asia	–	1,707
America	65,706	61,318
Australia	12,430	18,941
Europe	1,432	–
	79,568	81,966

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 $39,926,000 (2018: $38,333,000) are substantially located in Malaysia and Australia (2018: Malaysia and Australia).

29 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at 31 December 2017 that are applicable for annual period beginning 1 July 2018.

As stated in Note 2, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 30 June 2019, the comparative information presented in these financial statements for the year ended 30 June 2018 and in the preparation of the opening SFRS(I) statement of financial position at 1 July 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) balance sheet, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

29 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

The application of the above standards and interpretations do not have a material impact on the financial statements of the Group except for the adoption of SFRS(I) 15.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows is set out under the summary of quantitative impact.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1 and SFRS(I) 15 on the Group's financial positions as at 30 June 2017, 30 June 2018 and 1 July 2018 and the Group's income statement and other comprehensive income for the year ended 30 June 2018. There were no material adjustments to the Group's statement of cash flows for the year ended 30 June 2018 arising on the transition to SFRS(I).

There were also no material adjustments to the Company's financial positions as at 30 June 2017, 30 June 2018 and 1 July 2018 and the Company's income statement and other comprehensive income for the year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

29 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity
Consolidated statement of financial position

	Note	30 June 2018 FRS framework $'000	30 June 2018 SFRS(I) 1	30 June 2018 SFRS(I) 15 $'000	30 June 2018 SFRS(I) framework $'000	1 July 2018 SFRS(I) framework $'000
ASSETS						
Non-current assets						
Property, plant and equipment		29,957	–	–	29,957	29,957
Intangible assets		8,376	–	–	8,376	8,376
Deferred tax assets	b	5,024	–	(61)	4,963	4,963
		43,357	–	(61)	43,296	43,296
Current assets						
Inventories	b	22,295	–	1,668	23,963	23,963
Contract assets	b	–	–	1,459	1,459	1,459
Trade and other receivables	b	6,902	–	(1,126)	5,776	5,776
Prepayments		1,254	–	–	1,254	1,254
Cash and cash equivalents		8,437	–	–	8,437	8,437
		38,888	–	2,001	40,889	40,889
Total assets		82,245	–	1,940	84,185	84,185
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables	b	17,700	–	(6,927)	10,773	10,773
Contract liabilities	b	–	–	8,571	8,571	8,571
Provisions of warranty claims		2,070	–	–	2,070	2,070
Interest bearing loans and borrowings		433	–	–	433	433
Deferred consideration		465	–	–	465	465
Current tax payables		212	–	–	212	212
Net current liabilities		20,880	–	1,644	22,524	22,524
Non-current liabilities						
Deferred tax liabilities		669	–	–	669	669
Interest bearing loans and borrowings		2,037	–	–	2,037	2,037
Deferred consideration		2,628	–	–	2,628	2,628
		5,334	–	–	5,334	5,334
Total liabilities		26,214	–	1,644	27,858	27,858
Share capital and reserves						
Share capital		43,045	–	–	43,045	43,045
Share-based compensation reserve		370	–	–	370	370
Foreign currency translation reserve	a	(26,235)	27,577	–	1,342	1,342
Accumulated profits	a	38,851	(27,577)	296	11,570	11,570
Total equity		56,031	–	296	56,327	56,327
Total equity and liabilities		82,245	–	1,940	84,185	84,185

29 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity
Consolidated statement of financial position

	Note	1 July 2017			
		FRS frame-work $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) frame-work $'000
ASSETS					
Non-current assets					
Property, plant and equipment		21,073	–	–	21,073
Intangible assets		8,949	–	–	8,949
Deferred tax assets	b	1,203	–	(180)	1,023
		31,225	–	(180)	31,045
Current assets					
Inventories	b	16,172	–	1,724	17,896
Contract assets	b	–	–	2,759	2,759
Trade and other receivables	b	2,968	–	(2,496)	472
Prepayment		1,112	–	–	1,112
Current tax recoverable		144	–	–	144
Cash and cash equivalents		15,871	–	–	15,871
		36,267	–	1,987	38,254
Total assets		67,492	–	1,807	69,299
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	b	17,184	–	(7,686)	9,498
Contract liabilities	b	–	–	8,612	8,612
Provisions for warranty claims		1,169	–	–	1,169
Interest bearing loans and borrowings		393	–	–	393
Deferred considerations		–	–	–	–
Current tax payables		252	–	–	252
Total current liabilities		18,998	–	926	19,924
Non-current liabilities					
Deferred tax liabilities		936	–	–	936
Interest bearing loans and borrowings		2,343	–	–	2,343
Deferred consideration		–	–	–	–
Total non-current liabilities		3,279	–	–	3,279
Total liabilities		22,277	–	926	23,203
Share capital and reserves					
Share capital		43,045	–	–	43,045
Share-based compensation reserve		359	–	–	359
Foreign currency translation reserve	a	(27,577)	27,577	–	–
Accumulated profits	a	29,388	(27,577)	881	2,692
Total equity		45,215	–	881	46,096
Total equity and liabilities		67,492	–	1,807	69,299

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

29 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Consolidated income statement

	Note	Year ended 30 June 2018 FRS framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
Revenue	b	83,492	(1,526)	81,966
Cost of sales	b	(62,424)	823	(61,601)
Gross profit		21,068	(703)	20,365
Selling and marketing expenses		(9,861)	–	(9,861)
Administrative expenses		(4,755)	–	(4,755)
Other operating expenses, net		(680)	–	(680)
Total operating expenses		(15,296)	–	(15,296)
Profit from operations		5,772	(703)	5,069
Other non-operating income, net		291	–	291
Finance costs		(161)	–	(161)
Profit before tax		5,902	(703)	5,199
Tax credit	b	3,561	118	3,679
Profit for the year attributable to owners of the Company		9,463	(585)	8,878

Consolidated statement of comprehensive income

	Year ended 30 June 2018 FRS framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
Profit for the year	9,463	(585)	8,878
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences relating to financial statements of foreign subsidiaries	1,342	–	1,342
Other comprehensive income for the year, net of income tax	1,342	–	1,342
Total comprehensive income for the year attributable to owners of the Company	10,805	(585)	10,220

29 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations

(a) SFRS(I) 1

In adopting SFRS(I) in 2019, the Group has applied the transition requirements in SFRS(I) 1 with 1 July 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 30 June 2019 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) Foreign currency translation reserve (FCTR)

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassified the cumulative FCTR of $27,577,000 as at 1 July 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR increased by $27,577,000 and retained earnings decreased by the same amount as at 30 June 2018.

(b) SFRS(I) 15 – Revenue from Contracts with Customers

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

Under the both the previous FRS 11 and current SFRS(I) 15, revenue under construction contract are accounted for based on the stage of completion of individual contracts. However, in the previous FRS 11, the stage of completion was determined by reference to the labour hours incurred to date compared to the estimated total labour hours to complete each contract. In the current SFRS(I) 15, the stage of completion is determined using cost-to-cost method (i.e., actual cost installed or incurred over estimated total cost to complete each contract).

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2018 has been restated.

As the practical expedients as allowed under SFRS(I) 1, completed contracts that began and ended in the same annual reporting period in 2018 and contracts completed at 1 July 2017 are not restated.

Presentation of contract assets and liabilities

On adopting SFRS(I) 15, the Group has also changed the presentation of the following amounts:

a) 'Unbilled receivables on contract work-in-progress' classified as 'Trade and other receivables' of $1,126,000 as at 30 June 2018 and $2,496,000 as at 1 July 2017 were reclassified to 'Contract assets'.

b) 'Deferred income on contract work-in-progress' and 'Advance payments received from customers before related construction work is performed' classified as 'Trade and other payables' of $4,736,000 and $2,191,000 as at 30 June 2018 and $5,955,000 and $1,731,000 as at 1 July 2017 were reclassified to 'Contract liabilities'.

29 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations (Continued)

(c) SFRS(I) 9 – Financial Instruments

SFRS(I) 9 sets out requirements for recognising and measuring financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements. The Company adopted SFRS(I) 9 from 1 July 2018.

In accordance with the exemption in SFRS(I) 1, the Company elected not to restate information for 2017. Accordingly, the information presented for 2018 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. There were no material differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 as at 1 July 2018.

Arising from this election, the Company is exempted from providing disclosures required by SFRS(I) 9 *Financial Instruments* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

The following assessments were made on the basis of facts and circumstances that existed at 1 July 2018.

- The determination of the business model within which a financial asset is held; and
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified as amortised cost. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminated the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see Note 3.5.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

29 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Classification of financial assets and financial liabilities (Continued)

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 July 2018.

Financial assets	Original classification under FRS 39	New classification under SFRS(I) 9	1 July 2018 Original carrying amount under FRS 39 $'000	1 July 2018 New carrying amount under SFRS(I) 9 $'000
Financial assets				
Trade and other receivables	Loans and other receivables	Amortised cost	472	472
Cash and cash equivalents	Loans and other receivables	Amortised cost	15,871	15,871
Total financial assets			16,343	16,343

Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. There is no impact to the carrying amount of the Company at 1 July 2018 respectively on transition to SFRS(I) 9.

Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and contract assets.

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

Additional information about how the Company measure the allowance for impairment is described in Note 27.

30 NEW STANDARDS AND INTERPRETATION NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 July 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

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

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

30 NEW STANDARDS AND INTERPRETATION NOT YET ADOPTED (CONTINUED)

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plan to apply SFRS(I) 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. The Group plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

The Group as lessee

The Group expect to measure lease liabilities by applying a single discount rate to their portfolio of factory facilities leases. Furthermore, the Group are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 July 2019. For lease contracts that contain the option to renew, the Group are expected to use hindsight in determining the lease term.

The Group expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16.

As at 1 July 2019, the Group expect an increase in ROU assets and lease liabilities of $401,000.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Company's finance leases. The Group do not expect the adoption of SFRS(I) 16 to impact their ability to comply with the revised maximum leverage threshold loan covenant.

STATISTICS OF **SHAREHOLDINGS**

AS AT 18 SEPTEMBER 2019

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

Directors' Shareholdings
As at 21 July 2019

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 2019, shown in Register of Substantial Shareholders

Name of Substantial Shareholders	Shareholdings registered in the name of the Substantial Shareholders	Shareholdings in which the Substantial Shareholders are deemed to have an interest	Total	Percentage of Issued Shares (%)
Exa Limited	49,553,497	–	49,553,497	26.90
Tan Sri Lim Kok Thay[1]	3,056,497	49,553,497	52,609,994	28.56
Golden Hope Limited[2]	–	49,553,497	49,553,497	26.90
First Names Trust Company (Isle of Man) Limited[3]	–	49,553,497	49,553,497	26.90
Lim Keong Hui[4]	–	49,553,497	49,553,497	26.90
Star Cruises Terminal (China) Limited[5]	–	49,553,497	49,553,497	26.90
Genting Hong Kong Limited[6]	–	49,553,497	49,553,497	26.90
Willimbury Pty Ltd[7]	18,686,585	–	18,686,585	10.14
Arminella Pty Ltd (as trustee for SJHA Investment Trust)[8]	16,802,378	–	16,802,378	9.12
Mark Jonathon Richards	11,025,400	–	11,025,400	5.98

Notes:
(1) Tan Sri Lim Kok Thay, as beneficiary of a discretionary trust which First Names Trust Company (Isle of Man) Limited is trustee of, is deemed interested in the Shares held by Exa Limited.
(2) Golden Hope Limited, as trustee of Golden Hope Unit Trust, is deemed interested in the Shares held by Exa Limited.
(3) First Names Trust Company (Isle of Man) Limited, as trustee of a discretionary trust, is deemed interested in the Shares held by Exa Limited.
(4) Lim Keong Hui, as beneficiary of a discretionary trust which First Names Trust Company (Isle of Man) Limited is trustee of, is deemed interested in the Shares held by Exa Limited.
(5) Star Cruises Terminal (China) Limited, as the sole shareholder of Exa Limited, is deemed interested in the Shares held by Exa Limited.
(6) Genting Hong Kong Limited, as the sole shareholder of Star Cruises Terminal (China) Limited, is deemed interested in the Shares held by Exa Limited.
(7) 18,686,585 shares are held by DBS Nominees (Private) Limited.
(8) 16,802,378 shares are held by Raffles Nominees (Pte) Limited.

STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2019

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	95	5.73	1,003	0.00
100 – 1,000	279	16.83	156,363	0.09
1,001 – 10,000	874	52.71	3,903,865	2.12
10,001 – 1,000,000	391	23.58	23,145,093	12.56
1,000,001 and above	19	1.15	157,028,325	85.23
Total	**1,658**	**100.00**	**184,234,649**	**100.00**

As at 18 September 2019, approximately 45.6% of the Company's shares were held in the hands of the public. Therefore, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Exa Limited	49,553,497	26.90
2	DBS Nominees (Private) Limited	30,227,833	16.41
3	Raffles Nominees (Pte) Limited	17,382,728	9.44
4	Mark Jonathon Richards	11,025,400	5.98
5	Fong Peg Hong	7,300,000	3.96
6	Citibank Nominees Singapore Pte Ltd	6,277,978	3.41
7	DBS Vickers Securities (Singapore) Pte Ltd	5,021,700	2.73
8	UOB Kay Hian Private Limited	3,954,050	2.15
9	Goh Guan Siong (Wu Yuanxiang)	3,500,100	1.90
10	Tan Sri Lim Kok Thay	3,056,497	1.66
11	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,790,000	1.51
12	Ronald Clayton Filbert or Bernice Bernita Filbert	2,714,000	1.47
13	Kwah Yeow Khong	2,580,000	1.40
14	Cheng Lim Kong	2,400,000	1.30
15	United Overseas Bank Nominees (Private) Limited	2,357,562	1.28
16	Phillip Securities Pte Ltd	2,343,980	1.27
17	Maybank Kim Eng Securities Pte Ltd	1,613,500	0.88
18	RHB Securities Singapore Pte Ltd	1,507,700	0.82
19	Sim Siew Tin Carol (Shen Xiuzhen Carol)	1,421,800	0.77
20	OCBC Nominees Singapore Private Limited	927,465	0.50
		157,955,790	**85.74**

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, 24 October 2019 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 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2) To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 2)**

3) To approve the payment of Directors' fees of S$252,500 for the financial year ending 30 June 2020, to be paid quarterly in arrears. *(2019: S$252,500)* **(Resolution 3)**

4) To re-appoint Mr. Heine Askaer-Jensen, who is retiring pursuant to Article 86 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and who, being eligible, offers himself for re-appointment as an Independent Director.
[see Explanatory Note (i)(a)] **(Resolution 4)**

5) To re-appoint Mr. Mark Jonathon Richards, who is retiring pursuant to Article 86 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the SGX-ST, and who, being eligible, offers himself for re-election as an Executive Director.
[see Explanatory Note (i)(b)] **(Resolution 5)**

6) To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

7) **Authority to issue shares**

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

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

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

provided that:

1. the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of the Instruments made or granted pursuant to this resolution) does not exceed fifty per centum (50%) of the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company (as calculated in accordance with sub-paragraph 2 below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of the Instruments made or granted pursuant to this resolution) does not exceed twenty per centum (20%) of the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company (as calculated in accordance with sub-paragraph 2 below);

2. (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph 1 above, the percentage of the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), shall be based on the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company at the time that this resolution is passed, after adjusting for:

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

   (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time 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 and Rule 806 of the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors and/or the Remuneration Committee to grant awards in accordance with the Grand Banks Performance Share Plan 2014 (the "**PSP**"), and/or offer and grant options in accordance with the provisions of the Grand Banks Employee Share Option Scheme 2014 (the "**ESOS**") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to

NOTICE OF
ANNUAL GENERAL MEETING

the vesting of awards under the PSP and/or to the exercise of options under the ESOS, provided always that the aggregate number of additional shares to be allotted and issued in respect of all awards granted under the PSP and all options granted under the ESOS shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[see Explanatory Note (iii)] **(Resolution 7)**

BY ORDER OF THE BOARD

Ler Ching Chua
Company Secretary

Singapore
9 October 2019

Explanatory Notes:

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

(a) Mr. Heine Askaer-Jensen will, upon re-appointment 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, Nominating Committee and Strategic Committee, and will be considered independent.

In line with Guideline 4.7 of the 2012 Code of Corporate Governance: (i) there are no relationships including immediate family relationships between Mr. Heine Askaer-Jensen and the other Directors, the Company or its 10% shareholders; and (ii) Mr. Heine Askaer-Jensen does not hold any current directorship in other public listed companies nor does he have any other principal commitments.

(b) Mr. Mark Jonathon Richards will, upon re-appointment as an Executive Director, remain as Chief Executive Officer of the Company.

In line with Guideline 4.7 of the 2012 Code of Corporate Governance: (i) there are no relationships including immediate family relationships between Mr. Mark Jonathon Richards and the other Directors, the Company or its 10% shareholders; and (ii) Mr. Mark Jonathon Richards does not hold any current directorship in other public listed companies nor does he have any other principal commitments.

Additional information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, in the format as set out in the Appendix 7.4.1 of the Listing Manual of the SGX-ST, on Mr. Heine Askaer-Jensen and Mr. Mark Jonathon Richards who are subject to retirement and re-appointment at the Annual General Meeting can be found under "Board of Directors", "Corporate Governance" and "Additional Information on Directors Seeking Re-Appointment at Annual General Meeting on 24 October 2019" sections of the FY2019 Annual Report of the Company.

(ii) Resolution 6, if passed, authorises the Directors from the date of the Annual General Meeting up to the date of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held or by which this authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding 50% of the issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company on a *pro-rata* basis to shareholders (of which up to 20% of the issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company, may be issued on a non *pro-rata* basis to shareholders). For determining the aggregate number of shares that may be issued, the percentage of issued shares, excluding treasury shares and subsidiary holdings (if any), will be calculated based on the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company at the time that this resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that this resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

(iii) Resolution 7, if passed, authorises the Directors and/or Remuneration Committee from the date of this Annual General Meeting up to the date of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held or by which this authority is varied or revoked by the Company in a general meeting, whichever is earlier, to grant awards under the PSP and to grant options under the ESOS and to allot and issue fully paid-up shares in the capital of the Company, provided that the aggregate number of shares which may be allotted and issued in respect of all awards granted under the PSP and all options granted under the ESOS shall not exceed 15% of the total number of issued shares, excluding treasury shares and subsidiary holdings (if any), in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. (i) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**"). Where a member appoints more than one proxy, the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified in the form of proxy.

   (ii) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

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

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

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

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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

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

Personal data privacy:

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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE **ANNUAL GENERAL MEETING ON 24 OCTOBER 2019**

Pursuant to Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the information as set out in the Appendix 7.4.1 of the Listing Manual of the SGX-ST on Messrs Heine Askaer-Jensen and Mark Jonathon Richards, who are seeking re-appointment as Directors at the Company's forthcoming Annual General Meeting on 24 October 2019, are set out below:

Name Of Directors	**Heine Askaer-Jensen** *Non-Executive and Independent Director*	**Mark Jonathon Richards** *Executive Director and Chief Executive Officer*
Date of appointment	14 November 2011	1 August 2014
Date of last re-appointment	26 October 2017	26 October 2016
Age	66	54
Country of principal residence	Denmark	Malaysia
The Board's comments on this re-appointment (including rationale, selection criteria, and the search and nomination process)	The NC had recommended to the Board the re-appointment of Mr. Heine Askaer-Jensen as a Director and took into account his attendance at meetings, contributions and performance in its assessment and recommendation. The Board concurred with the NC's recommendation on Mr. Heine's re-appointment as a Director of the Company.	The NC had recommended to the Board the re-appointment of Mr. Mark Jonathon Richards as a Director and took into account his attendance at meetings, contributions and performance in its assessment and recommendation. The Board concurred with the NC's recommendation on Mr. Richards' re-appointment as a Director of the Company.
Whether re-appointment is executive, and if so, the area of responsibility	N.A.	Yes
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent and Non-Executive Director; Chairman of the Board of Directors; Chairman of the Remuneration Committee; and a member of the Risk Management and Audit Committee, Nominating Committee, and Strategic Committee.	Executive Director and Chief Executive Officer
Professional qualifications	Please refer to the "Board of Directors" section on page 08 of the Annual Report.	Please refer to the "Board of Directors" section on page 08 of the Annual Report.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE **ANNUAL GENERAL MEETING ON 24 OCTOBER 2019**

Name Of Directors	**Heine Askaer-Jensen** *Non-Executive and Independent Director*	**Mark Jonathon Richards** *Executive Director and Chief Executive Officer*
Working experience and occupation(s) during the past 10 years	**2011 – Present:** Independent and Non-Executive Director of the Company **1970 – 2011** Group Managing Director/Executive Vice Chairman of Jebsen & Jessen (SEA) Pte. Ltd. **1994 – 2011** Deputy Chairman and member of the board of the Singapore International Chamber of Commerce	**2008 – Present** Lot 50 NewBridge Road Pty Ltd – Director Palm Beach Motor Yacht Co Pty Ltd – Managing Director Palm Beach Motor Yachts Asia Pty Limited – Director
Shareholding interest in the listed issuer and its subsidiaries	501,500 ordinary shares 200,000 share options	11,025,400 ordinary shares 1,350,000 share options
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING ON 24 OCTOBER 2019

Name Of Directors	Heine Askaer-Jensen *Non-Executive and Independent Director*	Mark Jonathon Richards *Executive Director and Chief Executive Officer*
Other Principal Commitments[1] including Directorships[2]	**Past Directorships** (for the last 5 years): **2011 to 2016** Aglaia Investment Mgmt Pte Ltd – Non Executive Director **2012 to 2016** Singvik Singapore – Director **Present/Existing Directorships, and Other Principal Commitments:** Nil	**Past Directorships** (for the last 5 years): Nil **Present/Existing Directorships:** Lot 50 Newbridge Road Pty Ltd – Director Palm Beach Motor Yacht Co Pty Ltd – Managing Director Palm Beach Motor Yachts Asia Pty Limited – Director **Other Principal Commitments:** Nil
Disclosures as set out in paragraphs (a) to (k) of the Appendix 7.4.1	Mr Heine Askaer-Jensen has provided a negative confirmation to each of the items (a) to (k).	Mr Mark Jonathon Richards has provided a negative confirmation to each of the items (a) to (k).

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

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

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

PROXY FORM
(Please see notes overleaf before completing this Form)

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

I/We*, ______________________________ (Name)

of ______________________________ (Address)

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

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

and/or (delete as appropriate)

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

or failing him/her/them*, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at **York Hotel Singapore (Rose Room I & II – Upper Lobby Level), 21 Mount Elizabeth, Singapore 228516 on Thursday, 24 October 2019 at 10.00 a.m.** and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion.

Ordinary Resolutions relating to:	Number of Votes	
	For(1)	Against(1)
Resolution 1 Adoption of Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2019.		
Resolution 2 Re-appointment of KPMG LLP as Auditors of the Company and authorising the Directors to fix their remuneration.		
Resolution 3 Approval of payment of Directors' fees of S$252,500 for the financial year ending 30 June 2020, to be paid quarterly in arrears.		
Resolution 4 Re-appointment of Mr. Heine Askaer-Jensen as an Independent Director.		
Resolution 5 Re-appointment of Mr. Mark Jonathon Richards as an Executive Director.		
Resolution 6 Authority to issue shares.		
Resolution 7 Authority to grant awards and/or options and to allot and issue shares under the Grand Banks Performance Share Plan 2014 and the Grand Banks Employee Share Option Scheme 2014, respectively.		

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

Dated this _______ day of ____________________ 2019.

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

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

* 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.

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

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

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

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy to the Meeting.

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

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is signed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 October 2019.

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 2019

ABOUT THIS REPORT

This is Grand Banks Yachts Limited's ("Grand Banks", "the Company") third Sustainability Report ("Report"). This Report has been developed in accordance to the *GRI Standards 2016: Core option* and the SGX Sustainability Reporting Guide.

The Report also complies with the Singapore Exchange Listing Rules 711A and 711B and includes the five Primary Components set out in Listing Rule 711B. These are: Material ESG factors, Policies, Practices and Performance, Targets, Sustainability Reporting Framework and Board Statement.

In FY2019, we have also aligned our material topics with the UN Sustainable Development Goals (SDGs) to reaffirm our commitment to sustainable development.

Report Scope & Boundary

Unless specific otherwise, the report covers Grand Banks' Environmental, Social and Governance ("ESG") performance for the financial year ended on 30 June 2019.

Environmental and social performance data is derived from our two manufacturing facilities located in Malaysia and Australia where our Grand Banks and Palm Beach model boats are produced, and the head office in Singapore.

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

Employee related performance data is derived from the entire Grand Bank Group. This included Grand Banks Yachts entities located in Malaysia, Singapore and the USA as well as Palm Beach Motor Yacht entities located in Australia.

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

Exclusions

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

Reporting Process

The Reporting process continues to be driven by the Company's sustainability governance structure. The Grand Banks' Board provides overall direction for the company's sustainability strategy and preparation of the Sustainability Report.

The Board of Directors ("the Board"), in turn is assisted by the Grand Banks' Sustainability Reporting Steering Committee ("SSC"). The SSC is helmed by the Chief Executive Officer ("CEO") and is represented by senior management and assisted by external experts. Collectively, the SSC reviews, assesses and determines the sustainability context, material factors, scope, boundary, completeness and prioritisation of the various reported issues. The SSC also oversees the implementation of policies and practices and the progress made towards the realisation of set sustainability objectives and aspirations and also provides oversight over the production of the sustainability report on an annual basis.

Data and information for the sustainability report is collated and verified by key department heads and executives who form a Sustainability Reporting Project Team ("RPT"). Both the SSC and the RPT are assisted by independent sustainability consultants in the execution of their sustainability related duties.

Report Content and Data Quality

As in previous reports, report direction and content for our sustainability report has been determined based on the following criteria: regulatory requirements, stakeholder expectations, Grand Banks' most material ESG factors as well as organisational risks and opportunities. Also considered were the Company's business and operational strategies, its operating environment various risk factors, opportunities and overall outlook and prospects in determining overall report direction and content.

Report Quality has been guided by the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness. In essence, content included in this report has been ascertained to have the met the GRI principles and thus is able to provide meaningful disclosure in providing a comprehensive perspective of Grand Banks' sustainability performance.

In reference to data accuracy, all data included in this Report has been sourced from primary official documents. On occasions where data is incomplete or unavailable, we have provided disclosure with supporting explanations and rationales where required.

Grand Banks continues to enhance its data collection and analysis mechanisms towards achieving more comprehensive disclosure in future reports. We have used internationally accepted measurement units for all data. Financial figures are in Singapore dollars unless specified otherwise.

SUSTAINABILITY REPORT 2019

Assurance
Grand Banks has chosen to leverage on internal verification mechanisms to ensure data quality and accuracy.

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

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

PERFORMANCE HIGHLIGHTS

ESG PERFORMANCE (FY ending on 30 June)			
ESG FACTORS	**FY2017**	**FY2018**	**FY2019**
ENVIRONMENTAL			
CO_2 emissions (t)	1,808	2,160	2,334
Carbon emission intensity per labour hour ($kgCO_2$)	1.8	1.7	1.6
Energy intensity per labour hour (MJ)	9.5	9.6	9.2
Electricity used (kWh)	2,283,605	2,637,183	2,883,178
Water consumption (m^3)	18,319	20,266	22,620
Non-hazardous waste (t)[(4)]	724	1,729	1,355
Hazardous waste (t)[(4)]	10.8	25.9	37.7
SOCIAL			
Employees			
Number of employees	634	747	818
Direct employees (Production Workers)	83.8%	84.7%	85.5%
New hires	248	270	211
Female employees (Office functions)	33.0%	32.8%	34.8%
Average training hours per employee (Female)	4.8	0.8	3.02
Average training hours per employee (Male)	2.5	2.2	4.19
Employee turnover rate	15.6%	26.7%	16.4%
Fatal accidents	0	0	0
Suppliers			
Share of local suppliers as % of total purchase value	44.9%	43.7%	56.3%
FINANCIAL ($m)			
Revenue	58.7	82.0	79.6
Net profit	0.5	8.9	1.5
Employee wages and benefits	21.3	26.9	28.8
Dividends paid/declared to shareholders	None	0.9	None

Notes:
1) *Environmental figures exclude data from our recently acquired US operations which has been reported separately in the chapter on Environment.*
2) *Energy data refers to electricity, diesel and petrol consumption.*
3) *FY2017: 1 July 2016 to 30 June 2017, FY2018: 1 July 2017 to 30 June 2018, FY2019: 1 July 2018 to 30 June 2019.*
4) *These data are for Malaysia facility only.*

SUSTAINABILITY REPORT 2019

MATERIAL TOPICS

Our materiality approach begins with senior management assessing our present ESG topics from across our business operations. ESG topics that have the largest impact on the Group's business performance and stakeholders are identified and prioritised within our materiality assessment process.

We had conducted a comprehensive materiality assessment in 2016 with help from consulting firm CSRWorks International. Thereafter, our Board has reviewed the material issues every year. In 2019, we mapped our material issues against the UN Sustainable Development Goals (SDGs) to identify the SDGs where Grand Banks makes a contribution.

Stakeholder validation is also sought to further refine or substantiate our list of significant material topics. By adopting an inclusive approach via stakeholder participation, we are able to achieve a more comprehensive and realistic view of Grand Banks' ESG impacts.

The Grand Banks SSC then reviews the identified material ESG factors before submitting the refined list to the Board for their feedback and subsequently, approval.

Material Topics and their Boundary

Following is the Board approved list of material topics for FY2019. As in previous years, our materiality assessment also provides information about where impacts occur and our involvement with these impacts. Indirect involvement indicates the impacts that occur outside of Grand Banks where we may have limited or no control.

Material Topics (GRI Standards)	**Where the Impact Occurs**	**Our Involvement**	**Material for Grand Banks Subsidiaries**	**Goals and Targets**
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	Improve over prior year
GHG emissions	Own manufacturing activity and during product use by customers	Direct and Indirect		Improve over prior year
Waste	Own manufacturing activity	Direct		Improve over prior year
SOCIAL				
Workplace				
Employment	GB Group	Direct	All	Be an employer of choice
Diversity and equal opportunity	GB Group	Direct	All	Maintain gender, ethnic and cultural diversity
Human rights	GB Group	Direct	All	Zero violations of human rights in own operations
Training and education	GB Group	Direct	All	Provide need-based training
Employee turnover	GB Group	Direct	All	Maintain turnover rate at par or lower than industry average
Occupational health and safety	GB Group	Direct	All	Zero accident

SUSTAINABILITY REPORT 2019

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

Contributing to the UN Sustainable Development Goals (SDGs)	
Material Topics	**SDGs Supported**
Energy Consumption, GHG Emissions	13 CLIMATE ACTION
Waste, Procurement Practices, Product Safety, Customer Service	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Employment, Occupational Health and Safety, Employee Turnover, Human Rights, Diversity and Equal Opportunity, Indirect Economic Performance, Economic Performance, Local Communities	8 DECENT WORK AND ECONOMIC GROWTH; 5 GENDER EQUALITY
Training and education	4 QUALITY EDUCATION
Anti-corruption	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SUSTAINABILITY REPORT 2019

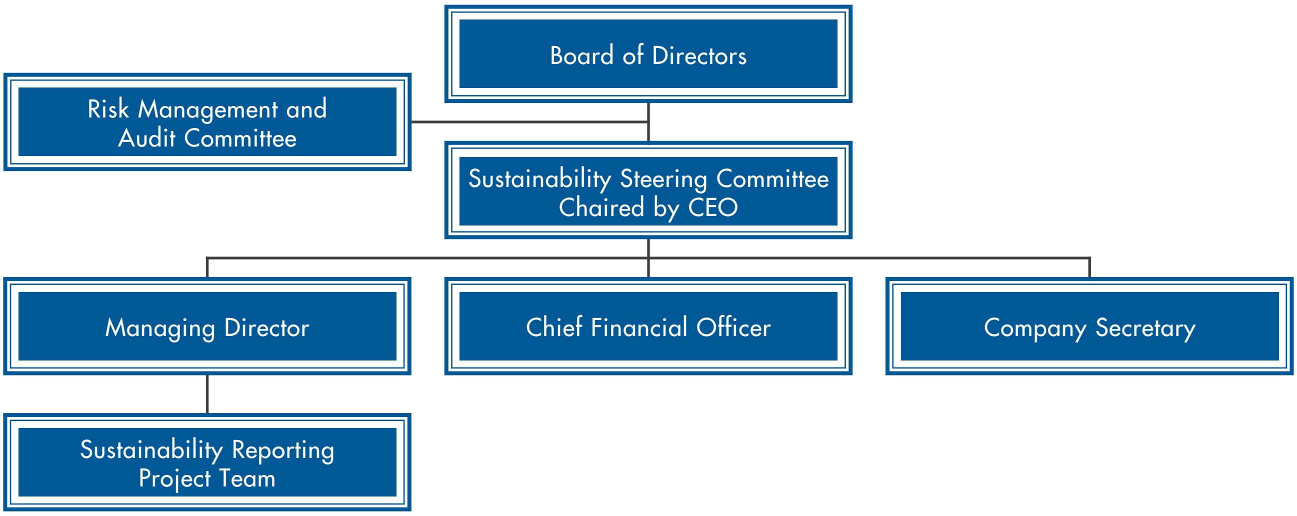
SUSTAINABILITY GOVERNANCE

Sustainability at Grand Banks begins at the highest level of the Company; that is with the Board of Directors, who have full oversight on sustainability related strategies and matters.

As the senior-most decision making body with the Company, the Board plays an active role in driving sustainability – working closely with Senior Management to develop sustainability related policies, goals and strategies towards driving Grand Banks sustainability journey. Specifically, the Board's Risk Management and Audit Committee, is responsible for managing ESG issues and sustainability reporting.

Beyond policies and strategies, the Board also plays a key role in cultivating a desired sustainability organisational culture and pervasive mindset. The goal is to develop a natural sustainability driven organisation by embedding the desired values and philosophies across the Grand Banks group structure.

Grand Banks' Sustainability Steering Committee ("SSC") supports the Board and the Risk Management and Audit Committee. The SSC is tasked with the execution of the Board approved sustainability strategies and to monitor performance and results achieved.



Board Statement

The Grand Banks Yachts Limited's Board is committed to creating short, mid and long-term value for all stakeholders through good governance of economic, environmental and social aspects of the business. The Board considers sustainability to be an integral component of the GB Group's business strategies. The Board reviews and determines the environmental, social and governance issues that are material to the Company, and oversees the management of these issues through periodic review of the key performance indicators. The Board has reviewed and endorsed this Sustainability Report.

SUSTAINABILITY REPORT 2019

STAKEHOLDERS

An open, ongoing and constructive dialogue with all our stakeholders remains central to achieving our corporate goals.

The views, opinions, feedback and aspirations of our stakeholders form an integral part of our sustainability approach. It is imperative that we remain sensitive towards including stakeholders' views towards a more accurate assessment of our sustainability impacts, risks and opportunities.

When we continuously integrate our stakeholders into our sustainability journey, considering, we are providing ourselves the opportunity to develop a more enriched ESG narrative. Our journey as a company becomes inclusive and we adopt the tunnel-view syndrome towards ensuring we are always better aligned to our stakeholders' expectations and concerns. This will translate into long-term trust and goodwill.

We define stakeholders as individuals or groups that are impacted or may be potentially impacted by Grand Banks' presence and activities, or have the potential to impact or influence the GB Group's operational and/or financial performance as well as overall corporate reputation and perception.

All stakeholders are important to us especially our customers and employees who have the highest potential impact on Grand Banks.

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

Stakeholder Groups	Stakeholders' expectations	Our engagement points	Addressing their expectations
Industry/Peers	Product and process innovation.	Advertising, website updates, trade shows and industry events.	Investing in product innovation as well as research and development, and new product launches.
Analysts	Regular updates on Company performance and plans, and access to senior management for interviews.	Annual Reports, briefings, updates via the corporate website and press releases.	Providing appropriate updates and information in a timely manner and as requested.
Media	Regular updates on Company affairs, access to information for public interest stories and access to management for comments/interviews.	Press releases and interviews.	Providing regular press releases, and information and interview opportunities with top management when requested.

Membership of Associations

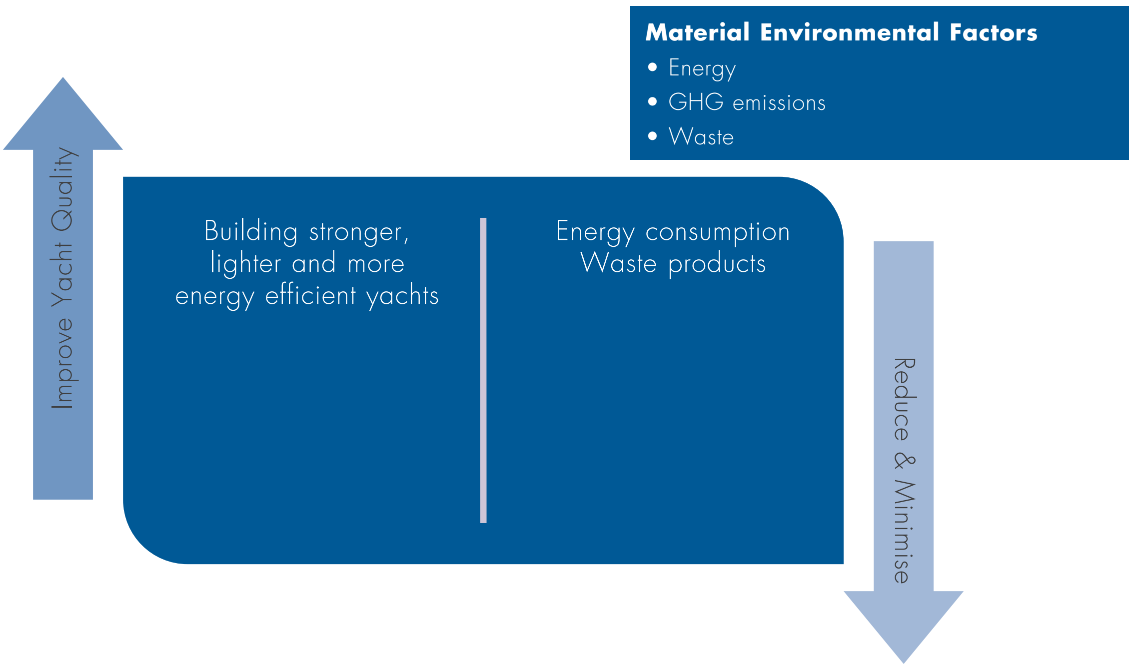
We engage with the relevant industry associations through membership subscription and participating in their events. Our memberships include:

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

ENVIRONMENT

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

Grand Banks' environmental efforts are two-pronged: reducing and minimising the GB Group's energy consumption and waste generation, and secondly, making our yachts lighter and stronger and consequently more energy efficient.



SUSTAINABILITY REPORT **2019**

In making our yachts lighter, faster and more energy-efficient, our material environmental matters are energy consumption, Greenhouse Gas (GHG) emissions and manufacturing waste.

Water consumption for the GB Group is not a material environmental matter as our usage of the resource is limited to drinking, product testing and industrial washing.

However, given the importance of water in today's world and the fact that water remains a resource that is facing increasing pressures, we do monitor water consumption and continue to actively seek ways to reduce usage.

In addition, given that our customers would prefer cleaner waters as they sail in our yachts, we endorse global and national efforts that address water pollution, in particular ocean and sea pollution.

Our US Operations

This year, we are reporting environmental performance data for our US entity Stuart Yacht Corporation in Florida for the first time which we acquired in May 2018. For the sake of comparability, the US data is being presented separately.

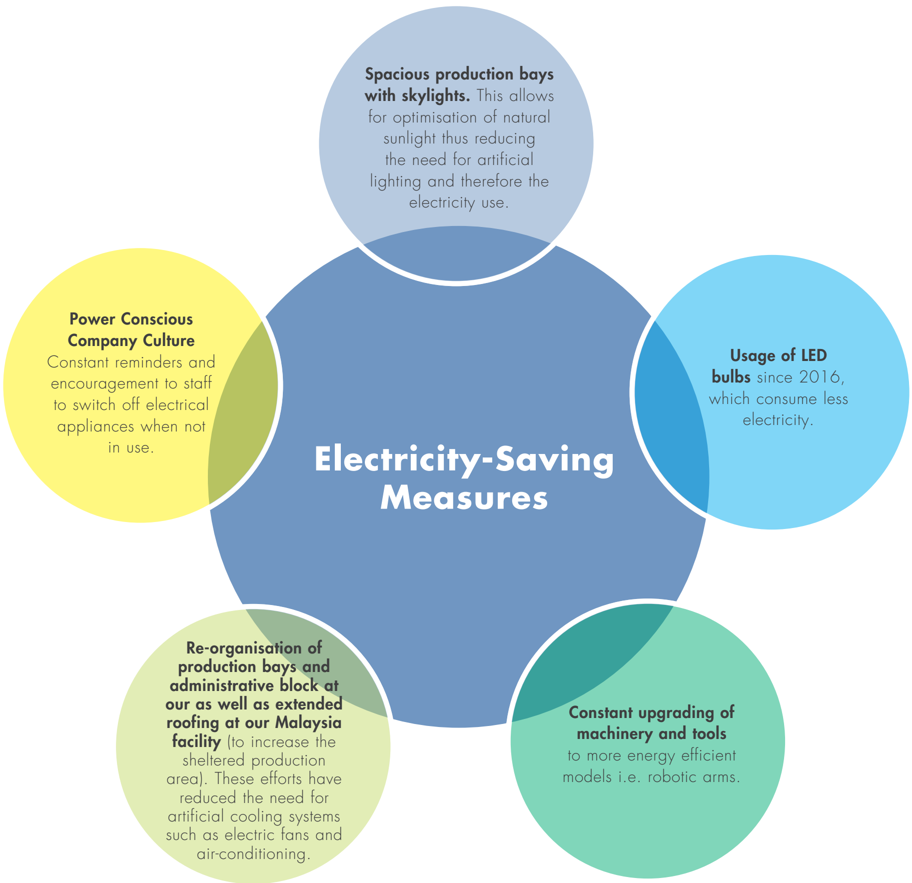
Energy

We continue to focus on energy efficiency (electricity consumption and fuel), which is a key element in the manufacture and post-sales use of our yachts. The largest energy consumers within Grand Banks are our Malaysian and Australian production facilities, as well as our newly acquired US entity Stuart Yacht Corporation in Florida which offers private dock and exhibition venue, commissioning, repair and maintenance services for our client base in North America.

Energy-Electricity

In FY2019, our electricity consumption was 2.88 million kWh as compared with 2.63 million kWh in the prior year. Energy intensity was calculated to be 9.2 mega joules (MJ) per labour hour in FY2019 compared with 9.6 MJ/labour hour FY2018.

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



The introduction of a robotic arm in the mould making process has translated into significant savings in time and labour, which ultimately leads to enhanced manufacturing productivity as well as cost and energy efficiency. The use of robotics also reduces waste produced. In FY2019, we procured our second robotic arm.

Energy – Fuel
We use fuel to test our yachts as well as in transporting our yachts to customers.

Additionally, fuel is used by our customers. While this impact occurs outside of the organisation, it remains material to us, as customers' fuel consumption is direct co-relation to the fuel efficiency of our yachts.

Hence, constantly improving fuel efficiency by building lighter, faster yachts via design and selection of materials is vital on our part towards effectively reducing customer fuel consumption.

Rethinking & Redesigning Our Yachts for a More Sustainable Future
We are constantly looking at how to re-engineer manufacturing processes and our value chain towards building more efficient, faster, lighter and greener yachts. In recent years we have undertaken the following initiatives:

Material substitution: • Replacing some fibreglass with carbon fibre. The latter uses less materials overall and makes yachts lighter and more durable. Lighter yachts move faster and consume less fuel (reducing energy and fuel consumed). • Substituting synthetic boat building materials in place of teak (no varnishing is required for the former while providing more construction flexibility and fitting).
Innovative Design and Build: • The use of sandwiched cored hulls (as opposed to solid laminate hulls), which alternates light, strong materials with layers of fiberglass, has resulted in lighter, stronger boats.
Engine Replacements: • Replacing conventional Straight Shaft inboard engines with Pod Drive engines, which are quieter, vibrate less and are 10%-30% more fuel-efficient.
Standardisation Initiatives: • Uniformity in components used across various yacht models simplify production, increase manufacturing efficiency and reduce costs.
Innovative Resin Infusion Process: • Our unique approach has reduced resin use and allowed for a safer process to the wellbeing of employees. We can also better control styrene emission to safeguard the atmosphere and environment.

Carbon Emissions
Our carbon emissions stem from our consumption of electricity and fuel and therefore the largest emission contributors are our production facilities.

In calculating our carbon emissions, the Company uses the globally recognised GHG Protocol guidelines to measure and disclose carbon emissions performance, notably for GHG Scope-1 and Scope-2 disclosures.

Beyond GHG, other gases emitted include refrigerant gases used in air conditioning systems. However, the emission levels are insignificant and hence have been scoped out of this report.

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

On a separate note, the practice of using vacuum bagging to reduce emissions from the manufacturing process has been retained in FY2019. The use of such materials is more expensive but contributes to lowering environmental impact of the facility's operations.

SUSTAINABILITY REPORT 2019

Solar Power

The Company remains supportive of utilising solar power and other renewable energy ("RE") sources as alternatives to purchase electricity and fuel. Solar power and RE have already been incorporated into some of our yachts.

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

We are looking into introducing solar power capability on more of our yacht models going forward at owners' preference.

Waste

In FY2019, the Group produced 38.8 tonnes of hazardous and 1,915 tonnes non-hazardous waste, primarily derived from our manufacturing operations. The Company's hazardous waste products are spent lubricant oil, solvents, catalysts, dust filter, uncured resin and gum waste. Non-hazardous waste include wood, paper, plastic, bottles and cans.

All hazardous waste are treated prior to disposal or disposal is outsourced to licensed third party waste disposal contractors. The contractors collect, treat and dispose the waste according to compliance standards set by the local regulations.

Grand Banks' aims to become more efficient in reducing procurement costs of raw materials as well as waste generation.

Case Study

In FY2019, water coolers and dispensers were installed in various places in the Malaysia facility. This reduces plastic water bottle waste as well as promotes healthier lifestyle.

Acetone Recovery

Our Malaysian facility continues to recycle up to 70% of acetone as a solvent to clean equipment used to fabricate fibreglass reinforced plastic products. The result is a cost savings of $4,000 and 5.4 tonnes less of new acetone consumed.

Water Consumption

Grand Banks consumption of water is limited to drinking, product testing and industrial washing. Hence, water use is not a material matter to the Company.

However, we continue to advocate an attitude of prioritising water conservation across our operations, which has also been cascaded to staff via various internal campaigns and programmes.

In the spirit of transparent disclosure, we have disclosed our water consumption figures on a 3-year basis.

A tangible example of our water saving approach is evident in the testing pool at our Malaysian facility. Here, water is reused negating the need to pump discharged water into the pool. As a result, we save an average of 100 gallons of water per boat.

Naturally Better

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

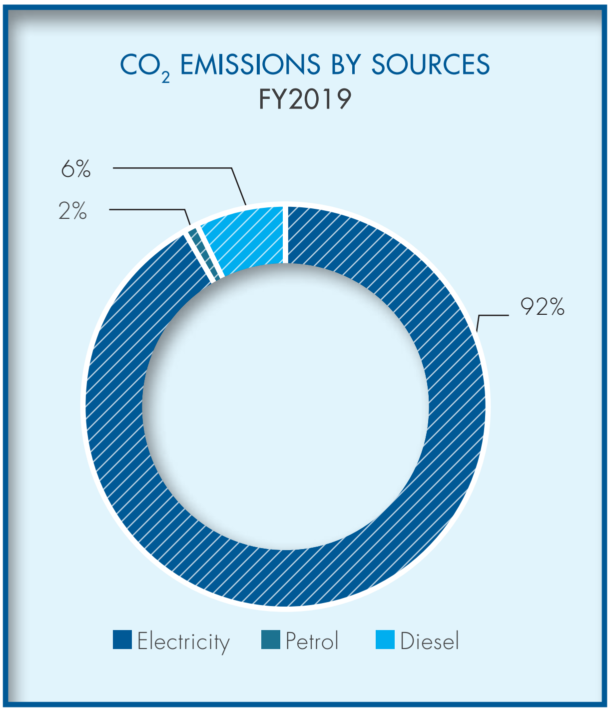
Environmental Compliance

We are pleased to report that for the third consecutive year, Grand Banks has exemplified benchmark adherence to environmental regulations set by the relevant authorities. The Company did not breach any laws during the reported period nor receive any fines or face punitive actions.

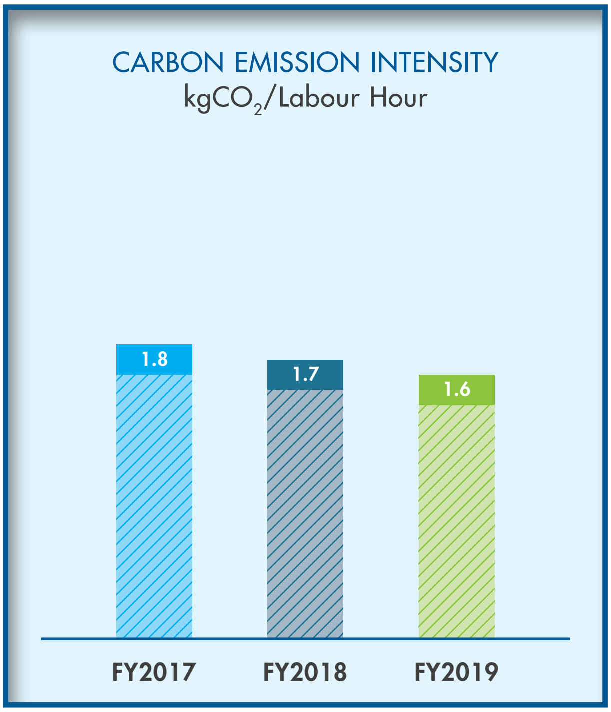
SUSTAINABILITY REPORT 2019

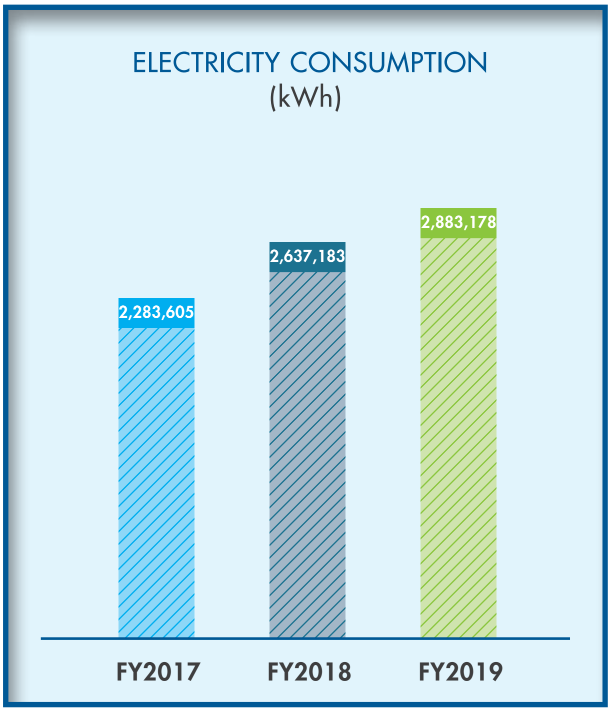
ENVIRONMENTAL PERFORMANCE

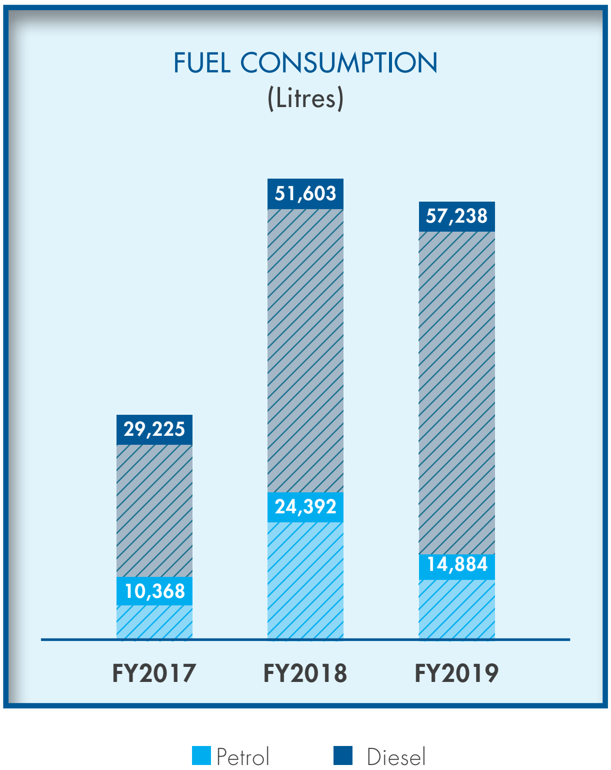
Carbon Emissions Summary			
tCO_2			
	FY2017	FY2018	FY2019
Scope-1			
Stationary Combustion	75	138	134
Mobile Combustion	30	57	54
Total Scope-1	105	195	188
Scope-2			
Purchased Electricity	1,703	1,965	2,146
Total Emissions (tCO_2)	1,808	2,160	2,334

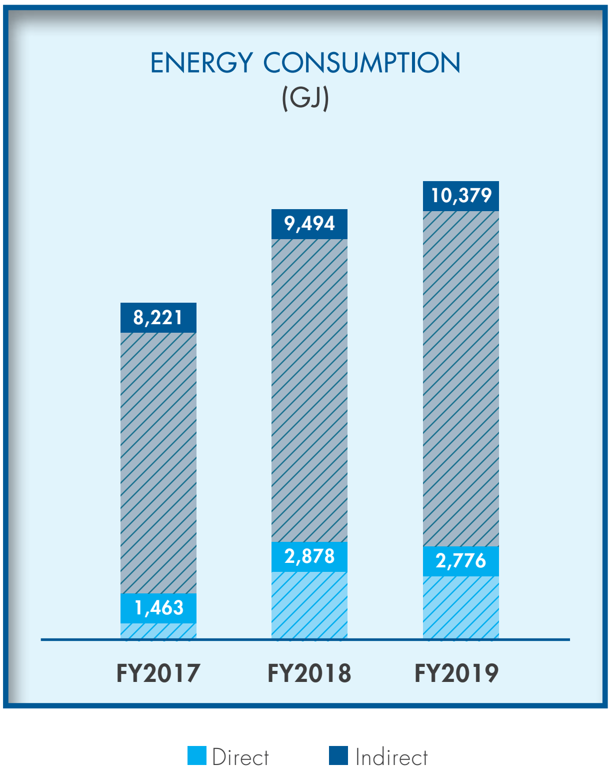


SUSTAINABILITY REPORT 2019

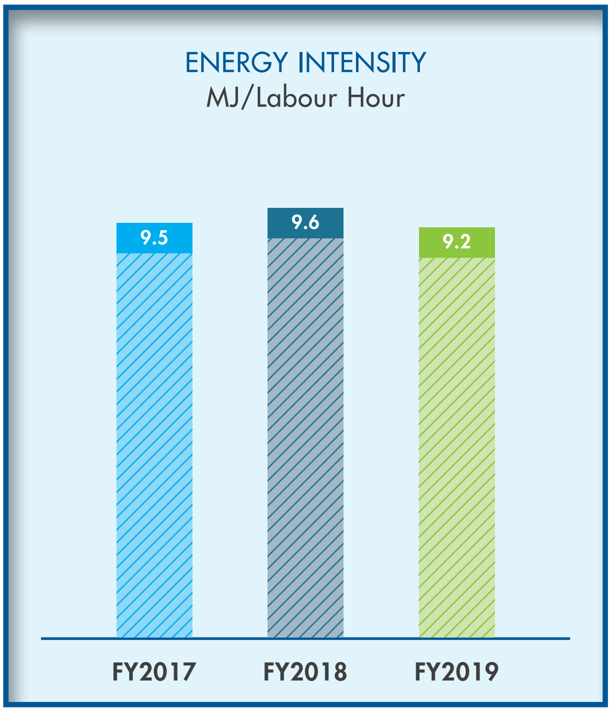


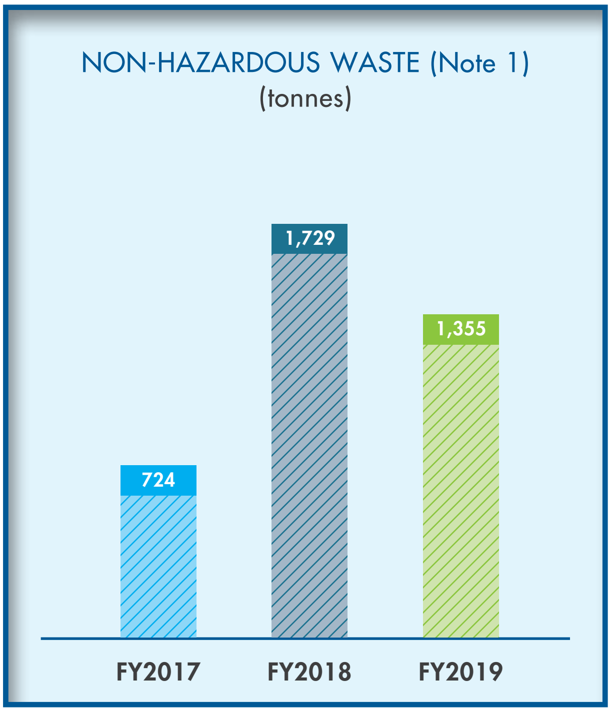


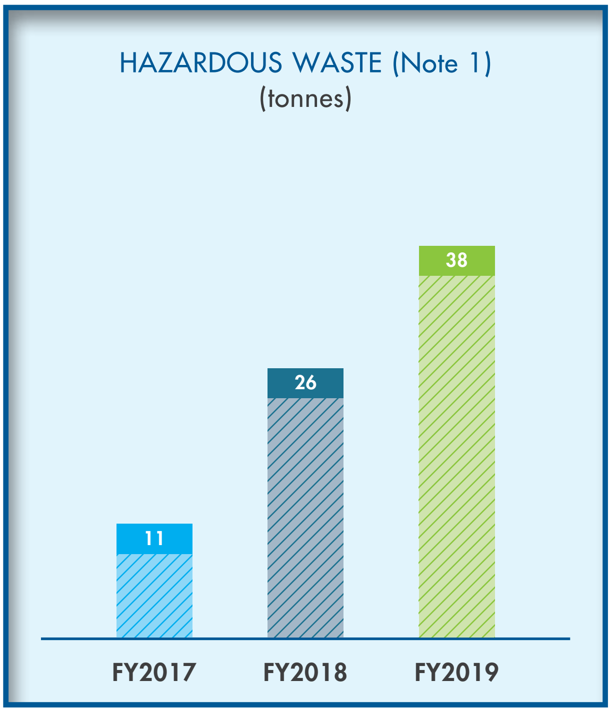


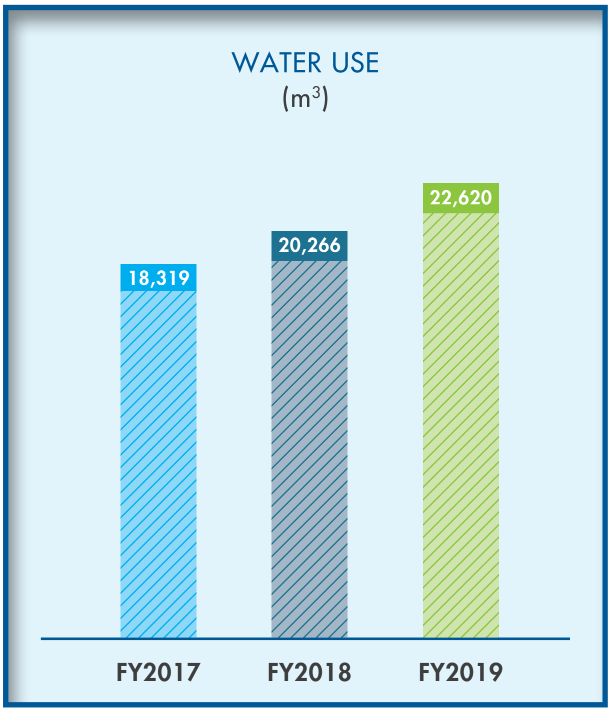


SUSTAINABILITY REPORT 2019









Note 1: These data are for Malaysia facility only.

SUSTAINABILITY REPORT 2019

USA Environmental Data	
Topic	**FY2019**
Electricity (kWh)	566,667
Total Energy* (GJ)	2,143
Carbon Emissions (tCO_2)	277
Non-hazardous Waste (t)	560
Hazardous Waste (t)	1.14
Water (m^3)	4,077

* *Energy includes electricity, diesel and petrol consumption*

PEOPLE

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

Without a doubt, our employees are one of Grand Banks most important resources. Their skills, experience, morale and satisfaction are material to the GB Group performance, especially in the production and delivery of high-quality products that meet our customers' high expectations.

Material Workplace Topics

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

Hence, we continue to focus on developing our people's technical skills and knowledge, while also focussing on creating a conducive work environment and providing career development path. We continue to make their interests and welfare our priority.

As a people first organisation, we have identified fair employment policies, diversity, inclusivity, talent attraction, retention and development, human rights protection and a safe and healthy work environment as key material issues.

Our approach to talent management and development starts at the top of the organisation with the Board of Directors and senior management developing strategies and policies that support staff recruitment, retention and career development towards supporting set business goals and strategies. Our human resource policies and performance, which we regularly review at the senior management level, ensure the professional management of our employees.

Our People

During FY2019, Grand Banks had 828 employees across all of its operations. Of this, 86% were direct employees which refers to production workers. The number of full-time employees was 818. Permanent employees held 98% of the total jobs.

New Hiring & Turnover

During the year, the Company across its operations hired 211 new staff. New hires included 49 women. Malaysia accounted for 98% of the new hires.

In FY2019, the employee turnover rate was 16.4%, lower than the figure of 26.7% in the preceding year. During the year, 135 employees left the employment that included 37 female employees.

Employee Turnover by Country			
Country	**Male**	**Female**	**Overall**
Malaysia	14.2%	32.5%	14.3%
Australia	17.5%	0.0%	16.2%
Singapore	0.0%	0.0%	0.0%
USA	31.6%	0.0%	25.0%

Employee Diversity

As an equal opportunity employer, we continue to welcome different genders, ethnicities and cultures within our organisation. This is clearly reflected in the composition of our personnel, including at management and Board level.

Employee diversity has always been highly valued across Grand Banks operations. Given that our customers come from an international marketplace and are of diverse background, employee diversity is essential towards better understanding and meeting our clientele's expectations and preferences.

We are pleased to disclose the multi-national background of our workforce with employees hailing from eight countries.

Gender diversity is still an issue for us with 85% of our staff being male. The reason for this is the labour intensive nature of yacht design and building. Yacht manufacture involves carpentry, varnishing, painting, metalwork, fiberglass work, plumbing, electrical, mechanical and engineering tasks. These have been traditionally male roles and are generally not preferred by women in Asian countries.

However, male to female ratio at the Company's administrative and office functions as well as in management is more equitable. At present, women make up 35% of staff employed in office-based jobs.

Long Service Awards

We continue to recognise and reward employee loyalty. Recognition is a means to convey appreciation to our staff for their commitment and service to the Group. At the annual Long Service Award ceremony held in January 2019, plaques and cheques were given out to employees with the following length of services:

- **5th year:** 27 employees
- **15th year:** 19 employees
- **20th year:** 10 employees
- **25th year:** 13 employees

Average employee service length at our production facilities is eight years.

Human Rights

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

SUSTAINABILITY REPORT 2019

Training
In this regard, Grand Banks has committed to providing training and development opportunities, both inside and outside of the organisation for staff to reskill and upskill themselves so they may continue to perform at the highest levels.

Given the dynamic nature of today's business environment, it is essential that we continue to develop our employees' skills in line with changing technologies and other trends that are reshaping our industry.

Training opportunities are provided to all employees across the organisation, though a large part of our training programmes is targeted at our production staff who constitute the majority of our workforce at 75%.

In FY2019, we spent $50,084 in staff training and development. Staff attended a wide range of programmes and courses.

Average training hours per male and female employee in FY2019 were 4.19 and 3.02 respectively, an increase over the prior year's figures of 2.2 and 0.8 hours respectively. Total training time for all staff were 3,178 hours.

Training Topics
In FY2019, our employees attended the following training courses, seminars and conferences:

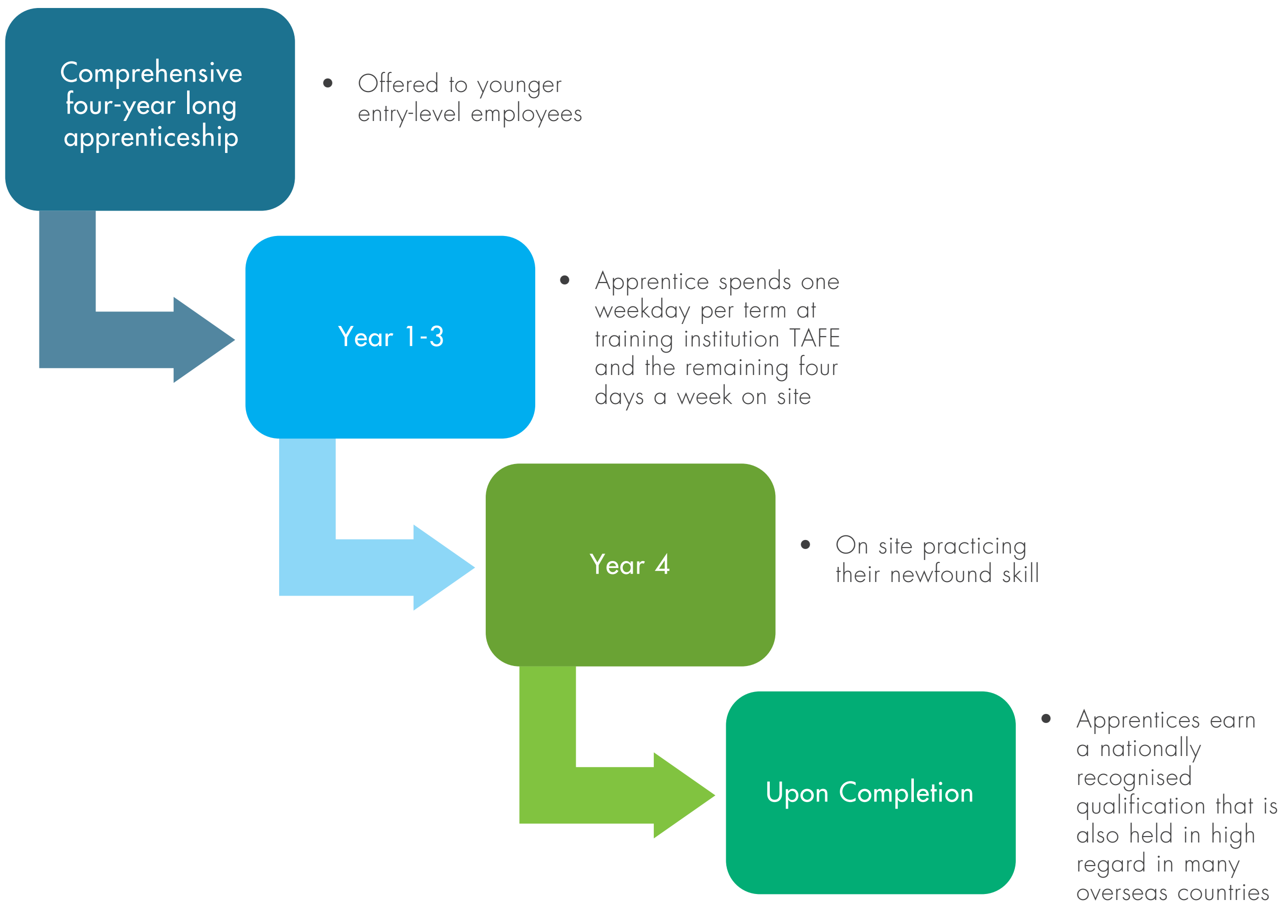
- Fire Warden/Safety Training
- Licence to perform fogging
- Boating Industry Alliance Training
- Basic Occupational First Aid & CPR Training
- Course for Certified Environmental Professional in Scheduled Waste Management (CePSWAM)
- Course for Certified Environmental Professional in Bag Filters Operation (CepBFO)
- Effective Supervisory & Leadership Skills
- Occupational Safety & Health Seminar
- Forklift Truck Safety Workshop
- Forklift Training (Renewal)
- Forklift Truck Safety Workshop (Renewal)
- Supervisory Development Programmes
- Understanding to Compute Hours of Work, OT & Holidays for HR & Non HR
- Hearing Conservation Program
- Designing Employee Handbook & Effective Writing Skills for HR Practitioners
- Authorised Gas Tester & Entry Supervisor for Confined Space
- Wood repair
- Stormwater management training
- Accounting standards and practices
- Microsoft Project
- MYOB (accounting software)
- Tax and Budget 2019

SUSTAINABILITY REPORT 2019

Apprenticeship

We provide apprenticeship opportunities as a means to develop local talent and to nurture high-potential candidates who may be absorbed into Grand Banks in the future.

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



Apprentices' wages are increased annually in accordance with Australia's modern award rules and their increasing experience and expertise. In FY2019, 14 apprentices were employed by Palm Beach Motor Yacht. Of these, four completed their stint with three of them stayed on as employees at the end of their apprenticeship periods.

Performance Management

All Grand Banks employees' performance is managed by an extensive and in-depth performance appraisal system. All evaluations are conducted fairly and objectively.

Employee Engagement

Employee engagement is a key element of our overall talent management approach. Engagement is a two-way process with management engaging staff to provide updates on the Company as well as to garner feedback and to solicit the views of staff.

The two-way employee engagement channels include formal channels such as the quarterly CEO townhalls, briefings, internal memos and the corporate newsletter, as well as more casual communication via the notice board and team activities.

SUSTAINABILITY REPORT 2019

Employee Welfare
The wellbeing of our staff is important to the Company and we continue to provide a wide range of benefits to employees. These include healthcare benefits, various types of leave including parental leave and other forms of benefits. Some benefits are extended to employee's family members.

Beyond benefits, we believe that employee happiness is closely linked to a healthy work-life balance and we continue to advocate this philosophy. With this in mind, a wide range of non-work related employee activities are organised for staff. These include sporting activities, family days, festive gatherings, and more. Employees receive gifts on these occasions as well as on their birthdays.

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

Occupational Health and Safety
Employee safety is the top priority for Grand Banks. More so in our production facilities in Malaysia and Australia. We continue to emphasise the need for a safe workplace by adhering to safety practices and processes.

Safety at the workplace is enforced via written policies and standard operating procedures. We also look to continue cultivating a safety-first mindset and culture across our staff.

Safety Committee
Management remains proactive in addressing health and safety concerns. Beyond systems and procedures, we have established a Health and Safety Committee that comprises management and workers representatives.

Precautionary Approach to Health & Safety
Essentially, a precautionary approach is applied when it comes to health and safety. In preventing incidents, we continue to conduct regular workplace safety and health checks and act swiftly to manage and prevent any potential risks.

Beyond procedures and checks, we continue to educate and empower our staff via constant health and safety related training. Training is primarily centred on the use of personal protective equipment ("PPE") and safety devices that are attached to relevant equipment, as well as how to respond in the event of emergencies.

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

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

The use of an atmospheric monitoring system allows us to monitor air quality. The system randomly tests for and measures various toxins in the atmosphere. We are able to quickly detect high-toxicity levels and implement proper PPE protocols to prevent accidental exposure.

Toxins may stem from chemicals used in the manufacturing process such as solvents and paints, which at concentrated levels can cause skin irritation or respiratory problems.

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

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

Our sanding machine has a dust extraction system to keep the environment cleaner and safer. Similarly, all of our other power tools are outfitted with individual extraction units that trap and extract 90% of dust and other contaminants produced during operation.

Injuries

We are happy to report that during FY2019, there were zero fatalities, serious injuries or cases of occupational disease among our staff. There were zero incidents of injury among female employees.

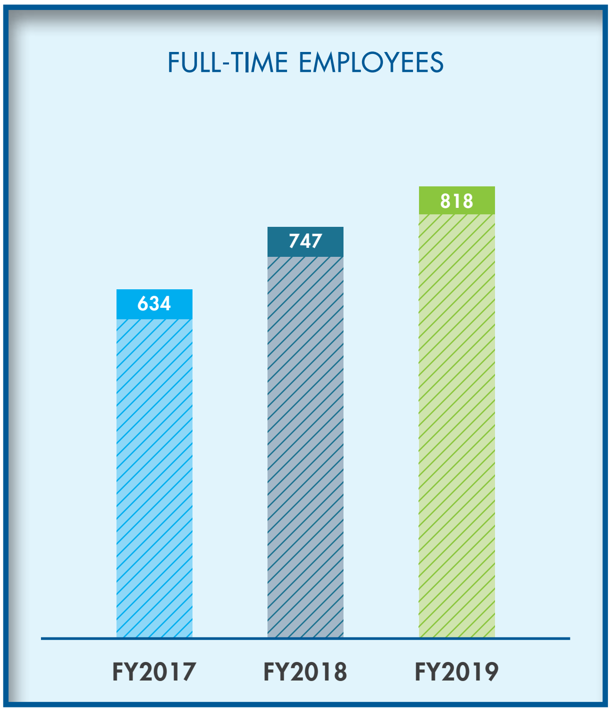
Details of our health and safety performance indicators for male employees are provided below:

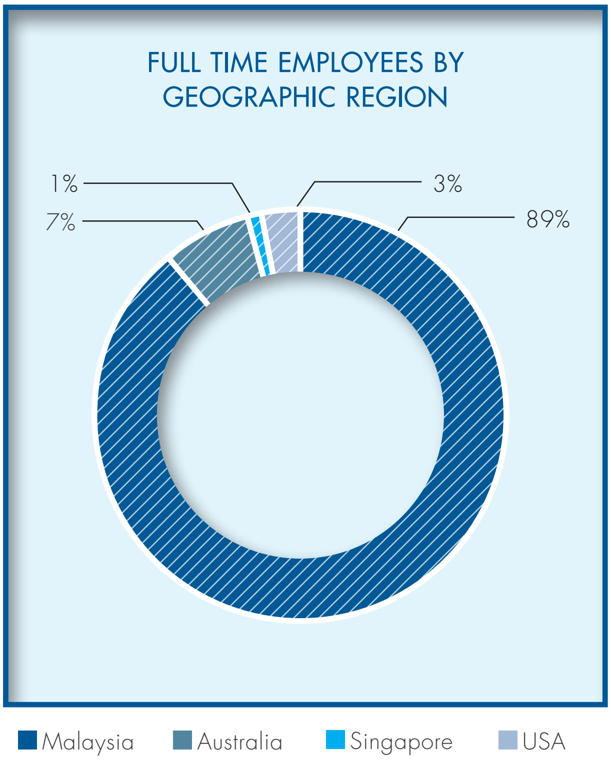
Indicator	Malaysia			Australia		
	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019
Workplace Injury Rate*	3,499	2,923	2,909	12,821	12,857	18,310
Accident Frequency Rate*	21	16	11	91	97	105
Occupational Disease Incidence Rate	0	0	0	0	0	0
Fatalities	0	0	0	0	0	0

Notes:
Workplace Injury Rate = (No. of fatal and non-fatal workplace injuries)/(No. of employees) x 100,000
Accident Frequency Rate = (No. of workplace accidents reported)/(No. of man hours worked) x 1,000,000
Occupational Disease Incidence Rate = (No. of occupational disease cases)/(No.of employees) x 100,000

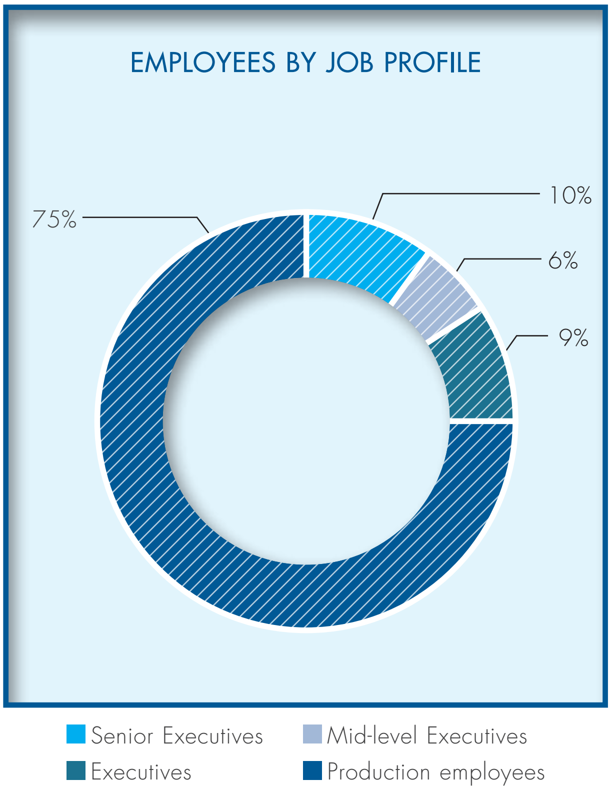
Injury incidents are thoroughly investigated undertaken to determine the root causes and to determine how future incidents can be prevented. Injury reports are filed and often used when conducting health and safety briefings with staff.

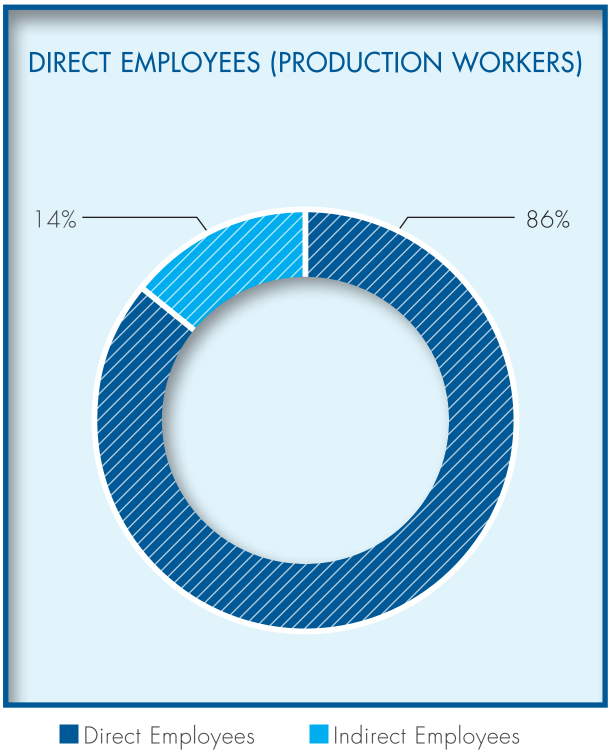
OUR WORKPLACE PERFORMANCE

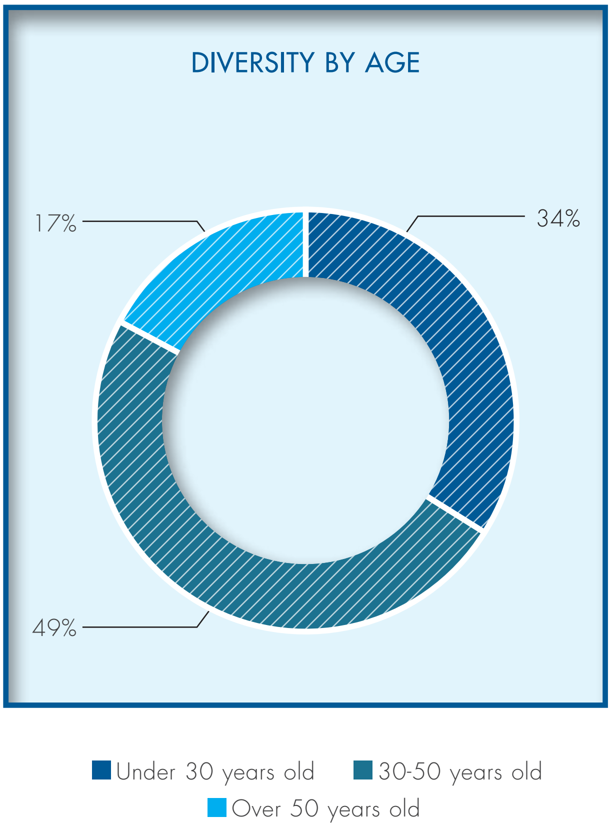


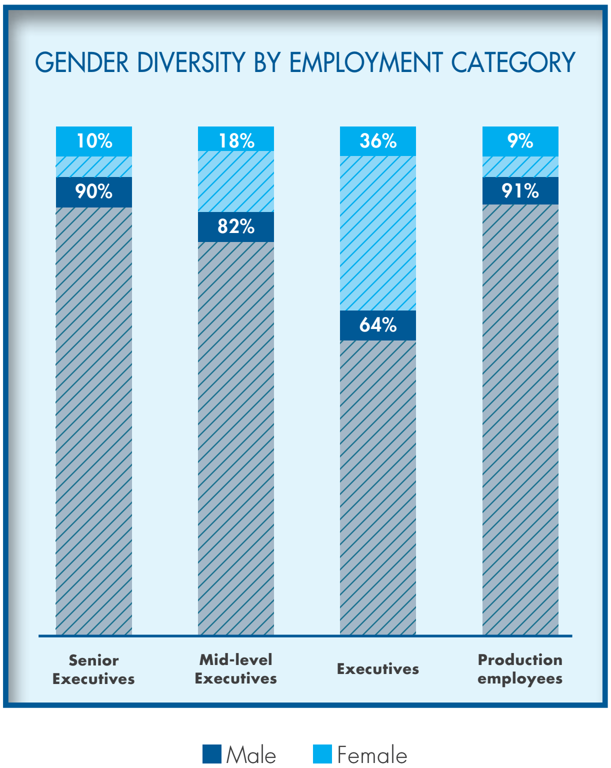


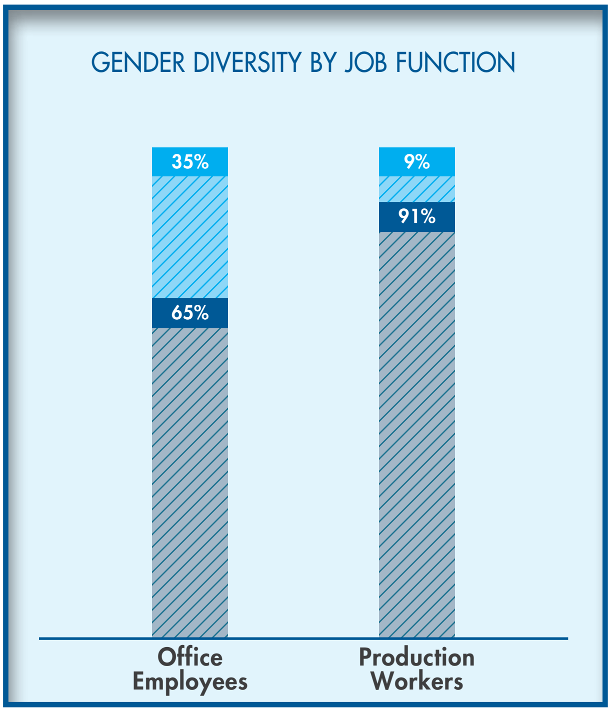
SUSTAINABILITY REPORT 2019



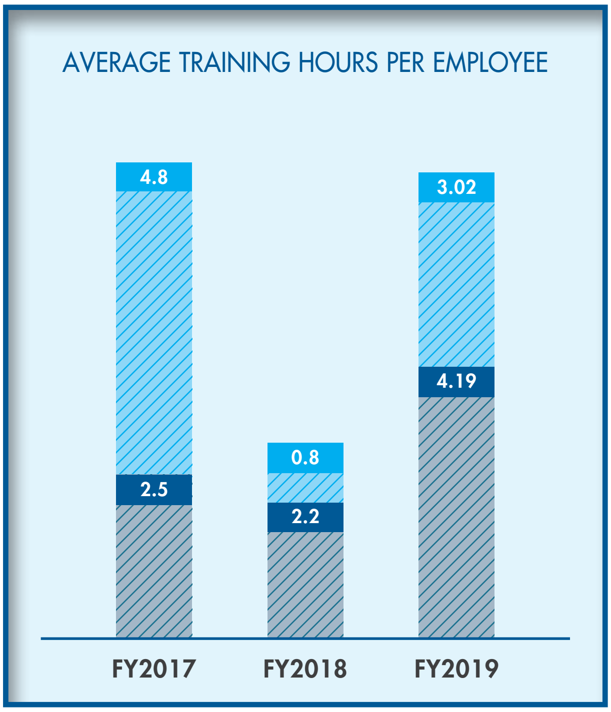




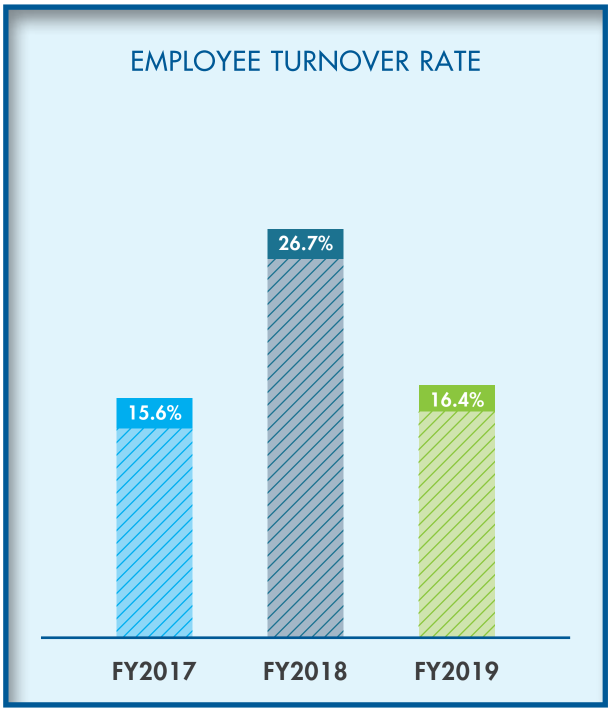


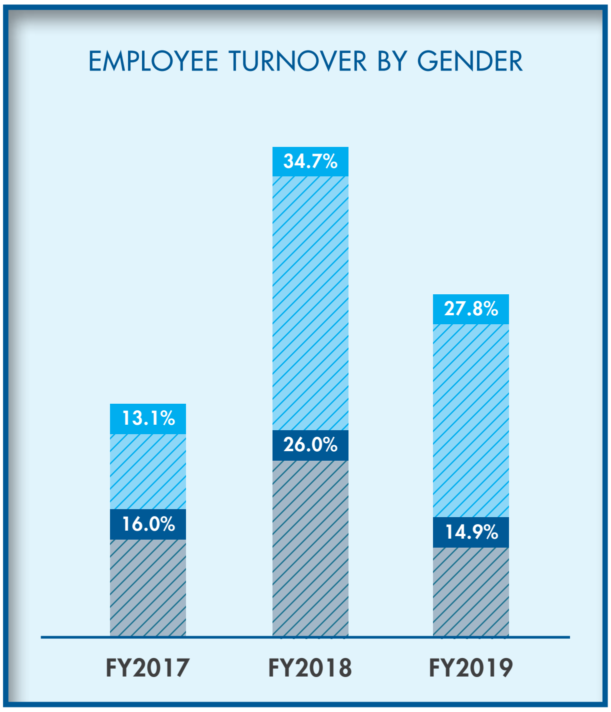


Male Female



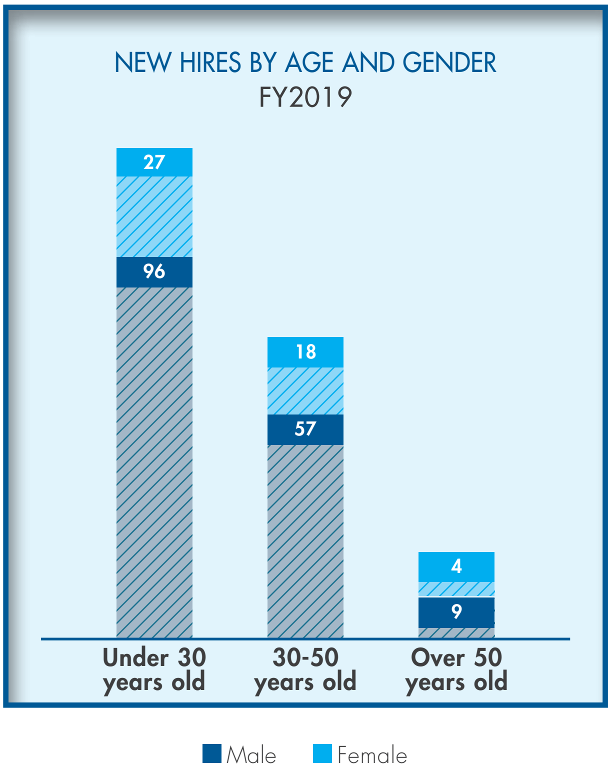
Male Female





Male Female

SUSTAINABILITY REPORT 2019



MARKETPLACE

We aim to establish Grand Banks and Palm Beach as trusted, reliable and responsible yacht brands for our customers, the community and the environment.

Ethics is a watchword that guides our business policies and practices. This extends to our delivering products of the highest quality, providing dedicated customer service and building trusted partnerships.

Material Marketplace Factors

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

New Products

The GT50 open and express, PB50FB and GB60SL were launched in FY2019.

Product Quality

We pride ourselves on the excellent quality of our yachts, which have received a wide range of international quality certifications. Grand Banks yachts sail high on decades of construction experience, buoyed by technological innovations and propelled by the most dependable engines and equipment. Owners can be assured that each vessel is superbly shipshape – built in accordance to the high standards set by industry leading certification bodies.

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

Yacht Model	Certifications Accorded in FY2019
PB42, PB45, PB50, PB65, EB44 and GB60	National Marine Manufacturers Association (NMMA) Boat and Yacht Certification
EB44, PB50, GT50 and PB65	CE Mark Class B

In addition to the above, we are working towards obtaining certification from NMMA for two models and from CE Mark for three models.

Customer Service
Completing the Grand Banks quality proposition is our commitment to excellence customer service.

With the acquisition of Florida based, Stuart Yacht Corporation, our service capabilities have been enhanced, particularly in supporting customers along US East Coast. In addition to service, support and repair, Stuart Yacht also serves as Grand Banks' U.S. headquarters, offering dockage, an inventory of Grand Banks parts and accessories, a 50-ton travel lift, and the following services:

- Haul outs and bottom painting
- Top coat painting, varnishing, gel-coat and fiberglass repair
- Engine and generator services/repair
- Running gear services/repair
- Marine systems and electronics
- Stabiliser and thruster services/repair
- Mechanical and electrical services/repair
- Mobile dockside service

Apart from the U.S., customers from other regions can also rest assured that they have access to an extensive, global Authorised Service Centre Network around the world for maintenance and repairs.

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

Helping Customers Sell Their Pre-Owned Yachts
Our services to customers also extends to help them sell their pre-owned yachts. Grand Banks Yacht Sales is a dedicated platform for customers wishing to sell or trade-in their pre-owned yachts for another model or are looking to build a new one.

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

Engaging Customers
Customers, as mentioned earlier are key stakeholders for Grand Banks and hence, we continue to actively engage them to better understand their requirements and preferences while developing brand awareness and appeal and cementing long-term relationships.

We continue to organise highly successful customer events. These include several owners' rendezvous events. Among these much-anticipated events is the Puget Sound Grand Banks Rendezvous.

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

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

In FY2019, Grand Banks participated in the following yacht shows:

- Sydney, Australia: August 2018
- Auckland, New Zealand: September 2018
- Newport, USA: September 2018
- Norwalk, USA: September 2018
- Southampton, UK: September 2018
- Annapolis, USA: October 2018
- Naples, USA: October 2018
- Fort Lauderdale, USA: October-November 2018
- Sarasota, USA: November 2018

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- Dusseldorf, Germany: January 2019
- Stuart, USA: January 2019
- Miami, USA: February 2019
- Palm Beach, USA: March 2019
- Newport (Lido), USA: April 2019
- Singapore: April 2019
- Sanctuary Cove, Australia: May 2019

Anti-corruption

Business integrity is of paramount importance to Grand Banks and we continue to adopt strict corporate governance in ensuring that our business dealings, both internally and externally and in all respects, are always conducted above aboard and comply with local legislations and company policies.

The Company does not allow the provision or acceptance of bribes or kickbacks in any forms be it monetary or non-monetary. We report that there were no confirmed incidents of corruption during the reported period.

Compliance

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

Supply Chain

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

Furthermore, the level of ESG consciousness across our supply chain will inherently influence our sustainability efforts.

Our supply chain supplies Grand Banks with the raw materials for the manufacture of our boats. Items supplied include engines, drive systems, appliances, air-conditioning systems, water systems, lighting systems, electrical wires and products, components, resin, glass, FRP/foam, gelcoat, canvas, upholstery, fabric, leather, teak wood, plywood, adhesives, solvents, paints, varnish, rubber and insulation materials.

OUR VALUE CHAIN

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

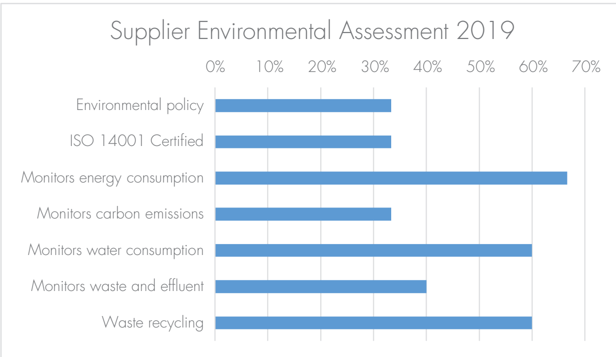
Sustainable Procurement

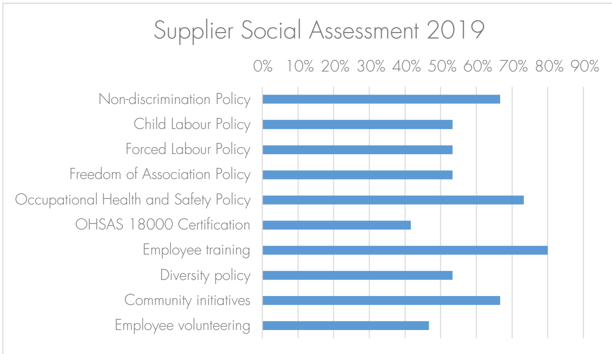
Our procurement policy continues to be based on merit and ethics where suppliers are selected based on their ability to provide the optimal value proposition to Grand Banks.

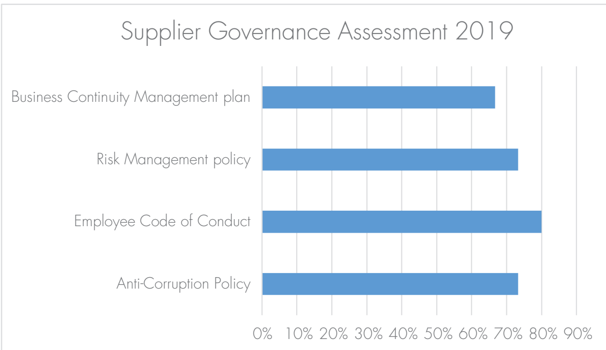
This extends beyond just cost, quality and time parameters, but also the need to adhere to Grand Banks corporate governance policies and for the selected suppliers to showcase a strong track record for good ESG performance.

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

In 2019, we engaged the top 15 suppliers by purchase value to assess their sustainability practices through a Supplier Sustainability Self-Assessment Survey. The survey results have provided us with a road map for an ongoing discussion on sustainability issues with our suppliers. The survey findings are presented in the chart below.







COMMUNITY

Grand Banks strives to be a responsible corporate citizen by supporting local communities where we operate in and by minimising our operations' impact on those communities and the environment at large.

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

Over the reported period, we have made various contributions and lent support in cash or kind to various community based initiatives. These have helped a wide strata of community.

SUSTAINABILITY REPORT 2019

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

ECONOMIC PERFORMANCE

As we measure and make progress in our sustainability journey, we are pleased to share that we continue to achieve robust financial growth and progress. This is clearly reflected in our fiscal indicators for FY2019 and across the three-year period.

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

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

SUMMARY OF OUR ECONOMIC PERFORMANCE			
	Financial Year		
Economic performance indicators	**FY2017**	**FY2018**	**FY2019**
Operating revenue ($m)	58.7	82.0	79.6
Net profit ($m)	0.5	8.9	1.5
Total operating expenses ($m)	9.9	15.3	14.4
Employee wages and benefits ($m)	21.3	26.9	28.8
Tax (expense)/credit ($m)	(0.4)	3.7	0.3
Dividends paid/declared to shareholders ($m)	None	0.9	None

Indirect Economic Impacts

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

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

In FY2019, we contributed $1,467,000 in employee statutory contributions as well as retirement/pension contributions.

Local Suppliers

Testament to our commitment to support local procurement, procurement spend on local vendors for Grand Banks was 54.5% for Malaysia and 65.8% for Australia.

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number, URL(s) and/or Reference
Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI 101: Foundation 2016		
General Disclosures		
GRI 102: General Disclosures 2016	102-1 Name of the organisation	Grand Banks Yachts Limited
	102-2 Activities, brands, products, and services	Inside Front Cover (IFC), 10-12, https://grandbanks.com/about-grand-banks-yachts/ https://grandbanks.com/models/
	102-3 Location of headquarters	Singapore
	102-4 Location of operations	IFC
	102-5 Ownership and legal form	IFC, 134-135
	102-6 Markets served	https://grandbanks.com/about-grand-banks-yachts/
	102-7 Scale of the organisation	IFC, 6-7, 163-164
	102-8 Information on employees and other workers	163-164
	102-9 Supply chain	168-169
	102-10 Significant changes to the organisation and its supply chain	No reportable changes
	102-11 Precautionary Principle or approach	151
	102-12 External initiatives	145, 148
	102-13 Membership of associations	151
	Strategy	
	102-14 Statement from senior decision-maker	4-5
	102-15 Key impacts, risks, and opportunities	38-39
	Ethics and Integrity	
	102-16 Values, principles, standards and norms of behaviour	44, 13-52
	Governance	
	102-18 Governance structure	13-52
	102-19 Delegating authority	14, 16, 149
	102-20 Executive-level responsibility for economic, environmental, and social topics	149
	102-21 Consulting stakeholders on economic, environmental, and social topics	13, 21, 48

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Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
	102-22 Composition of the highest governance body and its committees	13-15
	102-23 Chair of the highest governance body	21
	102-24 Nominating and selecting the highest governance body	23-27
	102-25 Conflicts of interest	25, 30
	102-26 Role of highest governance body in setting purpose, values, and strategy	13
	102-27 Collective knowledge of highest governance body	8-9
	102-28 Evaluating the highest governance body's performance	28
	102-29 Identifying and managing economic, environmental, and social impacts	13, 149
	102-30 Effectiveness of risk management processes	38-39
	102-31 Review of economic, environmental, and social topics	13, 149
	102-32 Highest governance body's role in sustainability reporting	13, 149
	Stakeholder Engagement	
	102-40 List of stakeholder groups	150-151
	102-41 Collective bargaining agreements	None
	102-42 Identifying and selecting stakeholders	150-151
	102-43 Approach to stakeholder engagement	150-151
	102-44 Key topics and concerns raised	150-151
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	95, 96, 145
	102-46 Defining report content and topic Boundaries	145, 147-148
	102-47 List of material topics	147-148
	102-48 Restatements of information	124-131
	102-49 Changes in reporting	145
	102-50 Reporting period	145
	102-51 Date of most recent report	1 October 2018
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	146
	102-54 Claims of reporting in accordance with the GRI Standards	145
	102-55 GRI Content Index	171
	102-56 External assurance	146
Economic Performance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	148, 170
	103-2 The management approach and its components	148, 170
	103-3 Evaluation of the management approach	148, 170
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	66-71, 170

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
Indirect Economic Impacts		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	148, 170
	103-2 The management approach and its components	148, 170
	103-3 Evaluation of the management approach	148, 170
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	170
Procurement Practices		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	148
	103-2 The management approach and its components	168-169
	103-3 Evaluation of the management approach	168-169
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	170
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	148
	103-2 The management approach and its components	44, 148
	103-3 Evaluation of the management approach	44, 148, 166, 168
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	44
	205-3 Confirmed incidents of corruption and actions taken	168
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 151-158
	103-3 Evaluation of the management approach	147, 151-158
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	156-157
	302-3 Energy intensity	156-157
Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147, 151-158
	103-2 The management approach and its components	147, 153
	103-3 Evaluation of the management approach	147, 153-156
GRI 305: Emissions 2016	305-1 Energy indirect (Scope 1) GHG emissions	155, 158
	305-2 Energy indirect (Scope 2) GHG emissions	155, 158
	305-4 GHG emission intensity	156
Effluents and Waste		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147, 157
	103-2 The management approach and its components	151, 154
	103-3 Evaluation of the management approach	154, 157, 158
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal methods	157, 158

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Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
Environmental Compliance		
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	103-3 Evaluation of the management approach	147, 154
GRI 307: Environmental Compliance 2016	GRI 307-1 Non-compliance with environmental laws and regulations	154
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 158
	103-3 Evaluation of the management approach	158-166
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	166
Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
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	103-3 Evaluation of the management approach	162-163
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management–worker health and safety committees	162
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	163
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147
	103-3 Evaluation of the management approach	160, 161, 165
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	165
	404-2 Programs for upgrading employee skills and transition assistance programs	160
	404-3 Percentage of employees receiving regular performance and career development reviews	161
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 161
	103-3 Evaluation of the management approach	161, 164-165
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	19-20, 164-165
Non-discrimination		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 159
	103-3 Evaluation of the management approach	159
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	159

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 159
	103-3 Evaluation of the management approach	159
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	159, 169
Child Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 159
	103-3 Evaluation of the management approach	159
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	159, 169
Forced or Compulsory Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	147
	103-2 The management approach and its components	147, 159
	103-3 Evaluation of the management approach	159
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	159, 169
Local Communities		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	148
	103-2 The management approach and its components	148
	103-3 Evaluation of the management approach	169-170
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	169-170
Socio-economic Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	168
	103-2 The management approach and its components	168
	103-3 Evaluation of the management approach	168
GRI 419: Socio-economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	168

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GRAND BANKS YACHTS LIMITED

BOARD OF DIRECTORS

CHAIRMAN
Heine Askaer-Jensen

EXECUTIVE
Mark Jonathon Richards

INDEPENDENT
Heine Askaer-Jensen
Basil Chan
Gary James Weisman

NON-INDEPENDENT NON-EXECUTIVE
Gerard Lim Ewe Keng

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

NOMINATING COMMITTEE
Basil Chan*
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Gerard Lim Ewe Keng

STRATEGIC COMMITTEE
Gary James Weisman*
Heine Askaer-Jensen
Mark Jonathon Richards

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Chief Executive Officer

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

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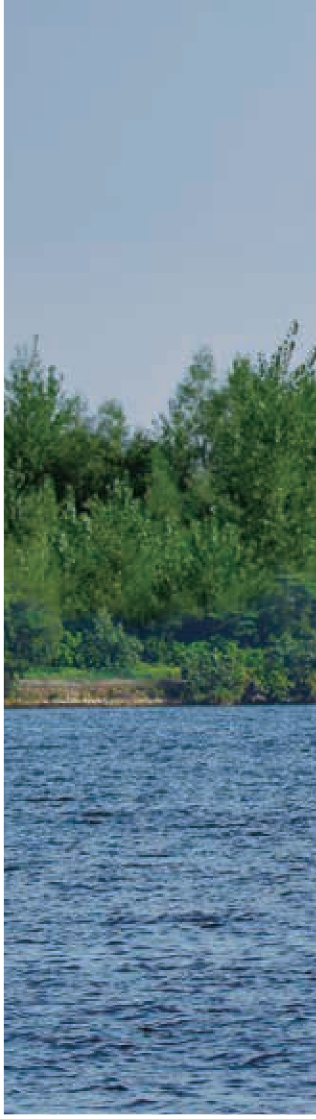
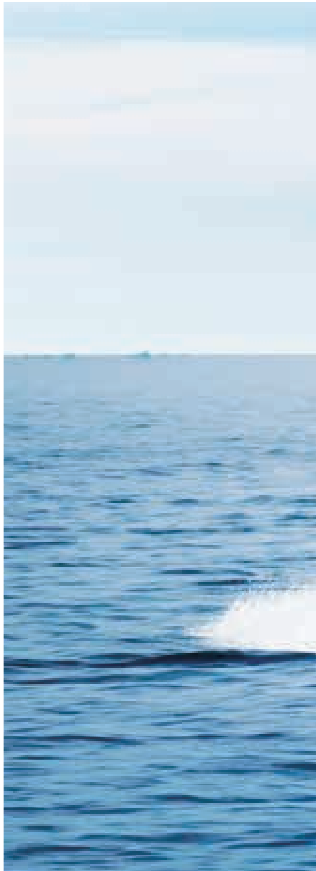
**Denotes Committee Chairman*





GRAND BANKS YACHTS

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