



RESPONSES TO FY2024 AGM QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the “**Board**”) of Grand Banks Yachts Limited (“Grand Banks” or the “Company”) refers to the Company’s FY2024 Annual Report and the Notice of Annual General Meeting (“AGM”) announced on SGXNet on 7 October 2024 and updated on 18 October 2024, in particular, requesting for shareholders to submit questions in advance of the AGM.

The Company has also received questions from Securities Investors Association (Singapore) (“SIAS”). The Board’s and Management’s responses to the questions are listed below.

Question 1(i)

Can management clarify if FY2024’s results were significantly boosted by the clearing of pandemic-related backlogs? Has the group worked through most or all of these backlogged orders, and how does this affect forward visibility in FY2025 and beyond?

FY2024’s results were boosted not just by the clearing of pandemic-related orders, but also by other factors including the construction of higher-value boats and streamlining of costs as a result of the pandemic. The Group has worked through most of the backlogged orders, with a small percentage of some FY2021 and FY2022 orders remaining in construction. In relation to FY2025 and beyond, the order book is the key indicator of future revenue performance and the Group tracks this closely for planning and forecasting purposes.

Question 1(ii)

Given that the number of new boat orders remained consistent at 20 and these orders are for larger boats, why has the net order book declined by 25%?

The pandemic years FY2022 and FY2023 experienced a few stop-start interruptions to our production process, resulting in slower conversion of the order book into revenues and longer delivery times for our clients. This explains the higher order book in those years. The opening up of Covid restrictions has allowed for a more efficient production process, resulting in faster conversion of orders into revenues. That said, the post pandemic opening up of air travel and in particular, 2024 being an election year in the USA, has traditionally been known to soften the boat market.

Please also refer to Question #5 of Responses to FY2024 AGM Shareholder Questions that we have posted.

Question 1 (iii)

For new yacht orders place in 2024, what is the typical lead time between order placement and delivery?

Depending on the size of the boat ordered, production and delivery times range between 1 to 3 years.

Question 1(iv)

With the 25% expansion in floor space, what impact is expected on production capacity and customer wait times? Does management anticipate a reduction in waiting periods as a result?

The Malaysian factory is currently at maximum capacity. The completion of the new factory will alleviate the shortage of space for storage and improve work processes, resulting in a more efficient workflow. Management estimates that there will be a 10-15% increase in production capacity and a shortening of customer wait times by 10-15% depending on the size of the boat.

Question 1 (v)

Does management anticipate a notable increase in working capital requirements, and how does this align with the Group's balance sheet strategy?

No, the Company does not anticipate a notable increase in working capital requirements.

Question 1(vi)

Has management developed a strategy for balancing customer satisfaction, working capital management, risk exposure and profitability?

The management, under the board's guidance, has always worked towards profitability while balancing the factors of customer satisfaction, working capital and risk exposure.

Question 1(vii)

What are the reasons that demand has fallen sharply in Australia and Europe? Has there been a shift in marketing and sales strategies towards the USA?

While there were no targeted shifting of sales and marketing strategies towards the USA, we have seen a significant increase in USA sales, which grew approximately 49.9% to S\$104.9 million for FY2024 from S\$70.0 million for FY2023. This could be attributed to the USA market appetite for higher priced and larger boats, relative to their Australian and European counterparts. The increase in USA sales has more than offset the lower sales in Australia and Europe over the same period. Given this, the Group will continue growing sales in the USA so as to deliver better returns.

Question 1(viii)

What is the management's outlook on the luxury yacht market in China, and how is the group positioning itself for future growth in this region?

China is a difficult market for the Group's generally self-piloted luxury yachts and the Group has not had significant successes into China. With limited resources, the Group focuses its sales and marketing strategies on its key markets of USA followed by Australia and Europe, as explained in the response to Question 1 (vii) above.

Question 2 (i)

Are there plans to (fully) electrify the group's luxury yachts, following the trend in the automotive industry towards electric vehicles? Beyond improving fuel efficiency or utilizing lower emissions engines and generators, what step is the group taking towards full electrification?

No, there are currently no plans to (fully) electrify the Group's luxury yachts.

The Group does not believe that the electrification technology available currently is viable for the vessels in the Group's market sector. Therefore, the Group has not taken any step towards moving to electrification of its products.

Question 2 (ii)

What are the key risks and opportunities the group foresees in the electrification of luxury yachts? Is the group actively working towards securing a first-mover advantage in this space, and how does this align with global sustainability trends?

No, the Group is not actively working towards a first-mover advantage in fully electric yachts as, based on the current technology, these simply do not have the range to be viable. However, the Group will continue to monitor developments and assess opportunities in this space.

Question 2 (iii)

What is the current research and development (R&D) budget allocated towards sustainability and electrification initiatives? How does the group's R&D spending compare to industry peers, particularly in electrification and next generation propulsion systems?

There is currently no R&D budget allocated towards electrification initiatives. We are however actively exploring sustainability avenues in our production and operations. For example, as stated on page 166 of our Annual Report 2024, in FY2024, we completed the installation of two rooftop solar photovoltaic systems in our factory in Malaysia that will meet about 45.34% of our electricity needs and help reduce our carbon emissions. In addition, we continually seek opportunities to improve our design and production processes to reduce the environmental impact of our yachts. Some of the specific measures we are implementing include materials substitution, innovative construction, engine upgrades, innovative resin infusion process, standardisation initiatives and solar panel on yachts. For more details on such specific measures, please refer to page 175 of our Annual Report 2024.

Question 3(i)

Can the board or nominating committee elaborate on the criteria used to select the board chairman?

In anticipation of the coming into effect of the amendment of the listing rules to limit the tenure of independent directors to nine years, the NC and the board had already begun board renewal discussions in October 2023. As Chairman of the Nominating Committee (NC), Mr Chan had initiated the exercise to identify potential new independent directors as early as January 2024 in line with the board renewal discussions.

However, when our former Non-Executive Chairman and Independent Director, Mr Heine Askaer-Jensen, passed away in July 2024, the succession plan was brought forward. Ms Kay Pang was appointed as Independent and Non-Executive Director whilst Mr Chan was designated as Independent Chairman of the Board. The Board, with the exception of Mr Chan had proposed for Mr Chan to be the chairman.

The Board had considered the following criteria when selecting the board chairman:

- (a) Leadership qualities
- (b) Industry knowledge
- (c) Independence
- (d) Strategic Thinking
- (e) Communication and Relationship building skills
- (f) Understanding of Corporate Responsibility, governance and Ethics
- (g) Crisis management experience
- (h) Financial literacy
- (i) Experience in succession planning
- (j) Time Commitment
- (k) Reputation and Integrity
- (l) Board Dynamics and Teamwork

As part of the board succession plan, it was considered that Mr Weisman will step down as an independent director in the upcoming FY2024 AGM. With Mr Chan being the remaining non-executive independent director after the passing of Mr Askaer- Jensen, the Board was of the view that Mr Chan will provide continuity to the board. Given Mr Chan's corporate experience and his expertise in the criteria listed above, he will be able to serve as an effective Chairman and provide guidance to the new board directors.

Question 3(ii)

Would the board clarify if appointing a non-independent chairman aligns with corporate governance best practices, especially considering the long tenure of Mr Basil Chan? How does the board mitigate concerns of potential conflicts, reduced independence or groupthink?

None of the Company's controlling or substantial shareholders has any relationship with Mr Chan. Notwithstanding that Mr Chan will be transitioning to a non-independent role, the Board is confident that Mr Chan will continue to act objectively and in the best interests of the Company and all shareholders in accordance with his fiduciary duties as a director of the Company, as he has demonstrated strong independence of character, viewpoint and judgement over the years in discharging his duties and responsibilities as an independent director.

Further, with the appointment of Ms Kay Pang on 1 August 2024 and the nominations for the appointment of 3 other independent directors at the FY2024 AGM (if approved by shareholders), a majority of the Board will comprise independent directors. This will enable the exercise of independent and objective judgment on the corporate affairs of the Group, based on the collective decision of the Directors. This will mitigate any potential conflicts of interest, reduced independence or group think.

With the changes to the board as outlined above, it would be prudent and responsible for the Company to seek the retention of Mr Basil Chan to bring continuity and stability to the board.

Question 3(iii)

As the director transitions to a non-independent status, can the chairman help shareholders better understand how he plans to lead the board and the group effectively and how will he ensure that he continues to bring fresh and relevant perspectives to the board?

Fresh and relevant perspectives will come from the proposed changes to the expanded board, covering finance, legal, governance and yachting industry background from the USA and Australia. Mr Chan, as the chairman of the board, will continue to lead and steer open discussions with the board and the management.

Question 3(iv)

Would the nominating committee (NC) elaborate further in the rationale, selection criteria and search and nomination process, that led to the nomination and appointment of Ms Kay Ker-Wei, as required in the SGX template? Was Ms Kay nominated by the chairman, and if so, how does the NC address any potential concerns regarding her independence?

As part of the board succession plan outlined above, Ms Pang was first introduced to the Company by Mr Chan, the NC chairman, in January 2024. Ms Pang was known to Mr Chan as they were both on the board of another listed company where Mr Chan was the chairman. Prior to the appointment of Ms Pang as an independent director on 1 August 2024, Ms Pang went through a formal NC and board interview in July 2024 to assess her suitability. Ms Pang was appointed based on her expertise

in legal, corporate governance and technology, amongst other strengths. She also adds gender diversity to the board. The NC and board have no concerns on Ms Pang’s independence in conduct, character and judgement as she is a professional and trusts that Ms Pang will exercise her independent business judgement in the best interests of the Company.

Question 3(v)

Is the information provided pursuant to Rule 720(6) of the Listing Manual for directors seeking re-appointment up-to-date, accurate and complete?

Due to an inadvertent error at page 153 of the Annual Report 2024 for Ms Pang under “Other Principal Commitments including Directorships”, Ms Pang’s other principal commitments including directorships were omitted at page 153 of the Annual Report 2024. The Company has released a clarification announcement on 18 October 2024 to correct this error. For the avoidance of doubt, full disclosure of Ms Pang’s past directorships, and other principal commitments (for the last 5 years) and present/existing directorships and other principal commitments had been made in the announcement of Ms Pang’s appointment on 31 July 2024 and on page 151 of the Annual Report 2024.

Save for the inadvertent error above which has been clarified, the information provided pursuant to Rule 720(6) of the Listing Manual for directors seeking re-appointment is up-to-date, accurate and complete.

By Order of the Board
GRAND BANKS YACHTS LIMITED

CHIAM HENG HUAT
CHIEF FINANCIAL OFFICER

21 October 2024