



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Grand Banks Yachts Limited

Security: Grand Banks Yachts Limited

Meeting details:

Date: 25 October 2018

Time: 10.00 a.m.

Venue: York Hotel Singapore (Rose Room I & II – Upper Lobby Level), 21 Mount Elizabeth, Singapore 228516

Company Description

Grand Banks Yachts Limited, an investment holding company, designs, develops, manufactures, and sells luxury recreational motor yachts in the United States, Europe, Australia, Japan, and internationally. The company offers its yachts under the Grand Banks, Palm Beach, and Eastbay names. It also engages in the sales of new and previously-owned yachts, as well as brokerage activities. Grand Banks Yachts Limited was founded in 1956 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=G50)

1. The group reported an increase in revenue of more than 40% to register full year revenue of \$83.5 million. The \$9.5 million in net profit is the highest in a decade, coupled with the first dividend to be paid out in the past ten years.

Shareholders recognise and appreciate the hard work and the results achieved by the current management team since the restructuring began in 2014. There is a high level of optimism in the statements by the chairman and the CEO. Some corporate actions and strategic moves made by the group recently include:

- The US\$3.2 million acquisition of Stuart Yacht Corporation in May 2018 to be used as the group's official USA headquarters and to serve the group's clients
- "Doubling down" on marketing and promotions in the United States
- Expansion of the portfolio of boats
- Plans to ramp up production by doubling staff at the yard from 650 to around 1,200 in the next few years
- Running higher inventory levels (increased from \$12.5 million as at 30 June 2016 to \$22.3 million as at the end of the financial period)

Whilst the FY2018 results were impressive, the order book stands at \$32.8 million, with 22 new orders. Cash and cash equivalents at the end of the reporting period were \$8.3 million and operating cash flow was \$1.1 million. The level of order book, cash and cash equivalents and operating cash flow are at the lowest level since 2015.

- (i) Overall, while FY2018 was indeed a very good year for the group and its shareholders, can the board/management also help shareholders understand the key challenges that it sees in the coming years? How is management mitigating any such risks?**
- (ii) With 76% of its revenue coming from the USA, is the group highly dependent on the USA staying on a high growth path? What is the impact, if any, from the trade tension the USA is having with its trading partners?**
- (iii) In his statement to shareholders, the chairman had pointed out that the yachting industry was shattered by the global financial crisis ten years ago. How well prepared is the group for another financial crisis, if and when it happens?**

2. Would the board/management provide shareholders with better clarity on the following operational and financial matters?

- (i) Tax: The profitability was boosted by a \$3.6 million in tax credit due to the recognition of deferred tax assets from unutilised tax losses and capital allowances of two subsidiaries (page 6). Can the Risk Management and Audit Committee (RMAC) help shareholders understand the assumptions made to recognise the deferred tax assets?**
- (ii) Revenue split: As seen in Note 21 (page 95 - Revenue), revenue from construction contracts amounted to \$71.4 million. Would the company**

disclose the revenue breakdown by brand (i.e. Grand Banks and Palm Beach)?

- (iii) Manufacturing yards: What are the utilisation rates at the two manufacturing yards in Pasir Gudang, Johor, Malaysia and Berkeley Vale, Sydney, Australia? What are the differences, if any, in technical capabilities, quality, speed and costs?**
- (iv) Order book: Can management elaborate further on how it intends to build up its order book given that the current order book of \$32.8 million (including 22 new orders) is the lowest since FY2015 and that the group's revenue for FY2018 was more than \$83.5 million?**

3. In the Corporate governance report, the group disclosed the attendance of directors at board and board committee meetings (page 51).

Table B

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

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

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

(Source: Company annual report)

From the table above, it can be seen that 3 directors were each absent from a board meeting during the year. In addition, 3 of the RMAC committee members were each absent from the RMAC meetings as well.

- (i) Can the company help shareholders understand if there were extenuating circumstances that led the directors to be absent for the board and board committee meetings?**
- (ii) Were there meetings where the composition of the directors in attendance did not meet the recommendations of the 2012 Code of Corporate Governance? For example, did independent directors constitute a majority of the directors at the board committee meetings?**
- (iii) How can the company, the company secretary and the directors improve the scheduling of board meetings so that the attendance of all directors can be improved?**



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A copy of the questions for the Annual Report for the financial year ended 30 June 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Grand%20Banks%20Yachts%20Ltd>

The company's response could be found here: -----