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Issuer: Grand Banks Yachts Limited

Stock code: G50

Meeting details:

Date: 28 October 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Despite a challenging second half to the year which saw unprecedented disruptions across the world because of the pandemic, the group's revenue increased from \$79.6 million to \$103.2 million and the group recognised a net profit of \$1.1 million, the fifth consecutive year of profitability.

Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

- (i) **Sales and marketing:** The group's major sales and marketing channels were hampered with the cancellation of several major boat shows in Europe, Australia and U.S.A. due to the dampened economic sentiment and travel restrictions globally. **Given that yachting is an experiential and social leisure pursuit/lifestyle, and that boat shows have been a significant source of customers' interests and orders, how is management going to overcome the challenge of having its major marketing channels closed?**
- (ii) **Order Book:** The group's order book stands at \$48.9 million as at 30 June 2020. In the first three quarters, the group recognised seven, ten and seven new orders respectively, including one trade-in and two cancellations of orders in Q3. In the CEO's message (page 4), it was stated that 35 orders were recognised for the full year of which 20 were sold in 2H FY2020. **Can management provide better clarity on the orders received in the last quarter from April to June 2020? With the protracted pandemic and the extended closure of international borders, will the group be soon faced with a thin/no order book as the yard completes the existing orders on hand in the next 6-12 months?**
- (iii) **Pasir Gudang:** With the impending closure of Berkeley Vale, Australia and the streamlining of all of the group's production facilities to Pasir Gudang, **how much cost-savings can be expected?**

Q2. On 7 October 2020, the company announced that there are material variances between the unaudited results (first announced by the company on 28 August 2020) and the audited financial statements for FY2020 after the finalisation of audit.

The announcement of material variances came nearly 6 weeks after the company first announced its unaudited results.

The company had provided brief explanations for the material variances, which included:

- Reclassification between operating expenses and corporate restructuring costs
- Reclassification between property, plant and equipment, right-of-use (ROU) assets, inventories, contract assets, prepayments, contract liabilities, trade and other payables
- Late audit adjustments

There were more than 25 line-items with material variances in the consolidated income statement, consolidated statement of comprehensive income, statement of financial position and consolidated statement of cash flows.

The material variances were as large as \$3.5 million. In particular, the company had reported an unaudited unrealised foreign exchange gain of \$132,000 that was changed to an audited unrealised foreign exchange loss of \$(1.19) million due to “late audit adjustments”.

- (i) **Would the audit committee/management elaborate further and provide detailed reasons for the reclassifications and the audit adjustments?**
- (ii) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (iii) **Has the Risk Management and Audit Committee (“RMAC”) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iv) **Can the RMAC update shareholders on the improvement made/to be made to the group’s financial reporting systems and processes?**
- (v) Separately, the group has disclosed that Virtus Assure Pte Ltd, as the independent internal auditor, was also involved in the design of the enterprise risk management for the company (page 33). **How does the RMAC ensure that the objectivity and independence of its internal auditor is not impaired? Did the RMAC consider if there would be any threat of self-review by the internal auditor?**

Q3. As disclosed in Note 17 (page 104 – Share capital: Capital management), the group is in a net cash position. The group has pro-actively managed-down its inventories, raised cash and cash equivalents to \$10.7 million and reduced its interest-bearing loans and borrowings to \$4.5 million (page 102).

As disclosed on page 42, except for FY2018, the company has not paid any dividends in recent years, especially as it had invested in new product development and improvement to its Malaysia facilities.

- (i) **Has the board evaluated the optimal capital structure given its strategic growth objectives (and working capital requirements)?**

Since the 2017 annual report, the board has stated that it is working towards determining and adopting a dividend payment policy in future. The company endeavors to pay dividends as and when the group's profits are sustainable.

- (ii) **Can shareholders understand the reasons for the delay in formalising a dividend payment policy? Would the board be finalising a dividend policy in the next 6 months, or latest by the end of the financial year?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)