Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Grand Banks Yachts Limited

Stock code: G50

Meeting details:
Date: 27 October 2022
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.

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Q1. As noted in the chairman's statement, the group recorded 31 new boat orders in FY2022, lifting the net order book to an all-time high of $182.9 million as of 30 June 2022. The company further disclosed that new models have been well received by the market, especially luxury boats that are bigger and more energy-efficient.

The chairman further stated that the group expects "*barring further disruptions, business momentum to continue to improve, as the Group will be kept busy fulfilling orders*" (page 3). Similarly, in his statement, the CEO expressed his optimism about the near-term outlook although he noted that rising interest rates could also dampen customer sentiment.

(i) **Other than rising interest rates, has management analysed the impact of a recession on the group since demand for luxury boating might be severely affected given its luxury/discretionary nature?**

(ii) **If so, what are management's strategies if/when the global economy enters the tail-end of the economic cycle?**

In addition, luxury boating benefitted from the pandemic as the appeal of boating was raised given travel quarantines and border closures.

(iii) **Has management seen evidence that interest in boating has waned as leisure travel rebounds from the COVID-lows? Are there requests for delivery delays and/or order cancellations?**

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Q2. Net cash used in operating activities was $(977,000) for the financial year ended 30 Jun 2022 as compared to net cash generated from operating activities of $41.5 million in FY2021.

An abridged cash flow statement is shown below:

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2022

	Note	Group	
		2022 $'000	2021 $'000
Cash flows from operating activities			
Profit after tax		4,014	4,226
		8,754	10,293
Changes in:			
– Inventories		(400)	6,283
– Trade and other receivables		(6,620)	(4)
– Prepayments		68	(482)
– Contract assets		(4,597)	8,533
– Contract liabilities		404	12,879
– Trade and other payables		1,714	4,271
– Provisions		(264)	(103)
Cash (used in)/generated from operations		(941)	41,670
Net income taxes paid		(36)	(123)
Net cash (used in)/generated from operating activities		(977)	41,547
Cash flows from investing activities			
Interest received		41	19
Proceeds from disposal of property, plant and equipment		–	47
Purchase of property, plant and equipment		(7,186)	(4,813)
Net cash used in investing activities		(7,145)	(4,747)

(Adapted from company annual report; emphasis added)

The company has disclosed that higher receivables were due to the timing of receipts from customers which mostly happened after the financial year-end, as well as increased contract assets due to the timing of billings to customers in accordance with sales contracts.

(i) **Can management provide an update on the collection of the trade receivables since the financial year end?**

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(ii) **Can management provide shareholders greater clarity on the billings and payment schedule over the build period for a customer who has made an order for a new boat? What are the safeguards to ensure that the group minimises its credit risks?**

(iii) In addition, cash used in the purchase of property, plant and equipment was $7.2 million and $4.8 million in FY2022 and FY2021 respectively. **What is the expected total capital expenditure for Stuart Yard in Florida, USA? What is the projected capital expenditure for Stuart Yard and for the overall group in the new financial year?**

Q3. Pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual (which took effect from 1 January 2022), the continued appointments of Mr. Heine Askaer-Jensen and Mr. Basil Chan as independent directors were approved by shareholders via the Two-Tier Voting process at the company's last AGM on 28 October 2021 (page 26).

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation (SGX RegCo), gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning[1]. On 13 September 2022, SGX RegCo further announced that it will consult on hard-coding the 9-year limit for independent directors[2].

It is also noted that board has adopted a formal board diversity policy during the year (page 21).

Two out of the three independent directors have each served on the board for an aggregate period of more than nine years from their respective date of appointment, 14 November 20211.

(i) **Will the continued appointment of the long-tenured directors impede/delay the progressive renewal of the board?**

(ii) **Are there any challenges faced by the board in identifying and onboarding of new board members?**

[1] https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to
[2] https://www.sgxgroup.com/media-centre/20220913-sgx-regco-require-9-year-cap-id-tenure-disclosure-directors-and-ceo

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)