

STATEMENT OF CORPORATE GOVERNANCE

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 adopted the principles set out in the Code of Corporate Governance 2005 (the "Code") established by the Singapore Corporate Governance Committee and the relevant sections of the Listing Manual issued by the Singapore Exchange Securities Trading Limited ("SGX-ST").

This report outlines the Company's main corporate governance practices that are in place. Where there are deviations from the Code, appropriate explanations are provided.

BOARD OF DIRECTORS

(Code of Corporate Governance Principles 1, 2, 3, 4, 6 & 10)

Robert William Livingston (Chairman)
Robert William Livingston II
Jeffrey Stewart Bland
Peter Kevin Poli
Reggie Thein
Roger Gaimster Langdale
Michael Grenville Gray (appointed on 1 November 2008)
Wesley James Moxey (appointed on 28 August 2009)

The Board of Directors consists of two executive directors, one non-executive director and five independent directors. The Board meets regularly throughout the year. The Board sets the overall strategy of the Group as well as policies on various matters including financial control, reviews the Group's financial performance and establishes risk management procedures.

The Board's five independent directors are respected professionals drawn from a broad spectrum of expertise and provide a balance of views at Board meetings. Details of the Directors' academic and professional qualifications and other appointments are set out on pages 10 and 11 of this Annual Report.

The role of the Chairman is separate from that of the Chief Executive Officer. The Chief Executive Officer is the son of the Chairman. There is adequate accountability and transparency as independent directors make up the majority of the Board. The Board is able to exercise its power objectively and independently from the management.

Matters which specifically require the Board's decision are those involving material acquisitions and disposals of assets, borrowings, corporate or financial restructuring, share issuances, dividends and other returns to shareholders.

In accordance with the Company's Articles of Association, half of the Board including the Chairman is subject to re-election annually. The directors named below are retiring and being eligible, offer themselves for re-election at the next annual general meeting.

<u>Board Member</u>	<u>Date of appointment</u>	<u>Date of last election</u>
Robert William Livingston	8 June 1976	5 July 2007
Robert William Livingston II	9 July 2004	5 July 2007
Roger Gaimster Langdale	11 November 2003	14 July 2008
Michael Grenville Gray	1 November 2008	NA
Wesley James Moxey	28 August 2009	NA

Although Mr Reggie Thein is not due for retiring, he wishes to step down from the Board of Directors and all Committees at the conclusion of the Annual General Meeting and the Extraordinary General Meeting on 9 October 2009.

The directors are provided with adequate and timely information prior to meetings and on an on-going basis to enable them to fulfill their duties. The directors have separate and independent access to the Company's senior management and the company secretary. The directors, either individually or as a group, may seek independent professional advice if necessary at the expense of the Company.

The directors continuously update themselves on new laws, regulations and changing commercial risks.

STATEMENT OF CORPORATE GOVERNANCE

The number of shares held, directly and indirectly, in the Company as at 30 June 2009 by each director is listed below

Directors	Number of Shares
Robert William Livingston	27,428,180
Robert William Livingston II	2,000
Jeffrey Stewart Bland	1,000
Michael Grenville Gray	1,000
Peter Kevin Poli	1,000
Reggie Thein	4,000
Roger Gaimster Langdale	25,000
Wesley James Moxey	0

The number of Board and Committees meetings and the record of attendance of each director during the financial period ended 30 June 2009 is set out below:

Name of Director	Board of Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nominating Committee Meetings		Strategic Vision Committee Meetings	
	No. held	No. attended	No. held	No. attended	No. held	No. Attended	No. held	No. attended	No. held	No. attended
Robert William Livingston	5	5	NA	NA	NA	NA	1	1	2	2
Robert William Livingston II	5	5	NA	NA	NA	NA	NA	NA	2	2
Jeffrey Stewart Bland	5	5	NA	NA	2	2	NA	NA	2	2
Michael Grenville Gray	5	2	5	2	NA	NA	1	NA	NA	NA
Peter Kevin Poli	5	5	NA	NA	NA	NA	NA	NA	NA	NA
Reggie Thein	5	4	5	4	2	1	NA	NA	NA	NA
Roger Gaimster Langdale	5	5	5	5	2	2	1	1	NA	NA

NA – Not applicable as not a member of the Committee

Mr. Gray was appointed to the Board on 1 November 2008 and as such, only attended subsequent meetings

Mr. Moxey was appointed to the Board on 28 August 2009 and as such, did not attend any of the above meetings

The Board has established a Nominating Committee, a Remuneration Committee, a Strategic Vision Committee and an Audit Committee to facilitate the discharge of certain of its responsibilities.

NOMINATING COMMITTEE

(Code of Corporate Governance Principles 4 & 5)

Roger Gaimster Langdale (Chairman)
Robert William Livingston
Michael Grenville Gray

The Nominating Committee whose terms of reference are approved by the Board is comprised of two independent directors and one non-executive director. It meets at least once a year.

STATEMENT OF CORPORATE GOVERNANCE

The role of the Committee is to make recommendations to the Board on all Board appointments and on the composition of executive and independent directors of the Board. It is also charged with the responsibility of re-nominating directors who are retiring by rotation as well as determining annually whether or not a director is independent. It assesses the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board. It proposes objective performance criteria to evaluate the Board's performance. Such criteria include directors' attendance at meetings, their knowledge of the business of the Company, contribution during discussions and willingness to keep up to date with developments in business and legislation. It periodically engages external consultants to help in this evaluation process.

The Nominating Committee 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 Nominating Committee in identifying and nominating suitable candidates for appointment to the Board.

When the need for a new Director is identified, the Nominating Committee 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 Nominating Committee 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 consideration.

The Nominating Committee, after completing its assessment, would then meet with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations to the Board for approval.

REMUNERATION COMMITTEE

(Code of Corporate Governance Principles 7, 8 & 9)

Jeffrey Stewart Bland (Chairman)
Reggie Thein
Roger Gaimster Langdale

The Remuneration Committee whose terms of reference are approved by the Board is comprised of three independent directors. It meets at least twice a year.

The role of the Committee is to review and make recommendations to the Board on the framework of remuneration packages and policies applicable to the Chief Executive Officer (CEO) and the independent directors. The committee also reviews the remuneration of senior management.

In reviewing and determining the remuneration packages of the CEO and the senior executives, the Committee considers their responsibilities, skills, expertise and contribution to the Group's performance and if the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talent.

The Committee regularly utilizes external expert advice and data to assist in the evaluation of its compensation recommendations.

The schedule of annual fees for non-executive directors is as follows:

- Board member: \$17,500
- Chairman of the Board: additional \$11,000
- Member of the Audit Committee: \$8,000
- Chairman of the Audit Committee: additional \$10,000
- Member of other Committees: \$3,000
- Chairman of other Committees: additional \$4,000

STATEMENT OF CORPORATE GOVERNANCE

The tables below show the remuneration bands of the Directors and the top six senior executives of the Group who are not directors as well as the approximate percentage breakdown of the remuneration. The proforma figures for the 15-month period ended 30 June 2009 have been modified as if the Directors and executives were paid in a normal twelve month financial year.

Remuneration of Directors *

Remuneration Bands/ Name of Director	Base Salary	Bonus	Fees	Benefits-in-kind	Total
\$500,001 to \$750,000					
Robert William Livingston	85%	7%	–	8%	100%
Robert William Livingston II	81%	6%	–	13%	100%
\$250,001 to \$500,000					
Peter Kevin Poli	80%	8%	–	12%	100%
\$250,000 and below					
Jeffrey Stewart Bland	–	–	100%	–	100%
Michael Grenville Gray	–	–	100%	–	100%
Reggie Thein	–	–	100%	–	100%
Roger Gaimster Langdale	–	–	100%	–	100%

* Mr Wesley James Moxey was appointed to the Board on 28 August 2009 and as such was not entitled to any remuneration for the financial period ended 30 June 2009.

Directors' fees are subject to shareholders' approval at the Annual General Meeting.

Remuneration of Top Six Senior Executives (who are not Directors)

Remuneration Bands/ Name of Executive	Base Salary	Bonus	Benefits-in-kind	Total
\$250,001 to \$500,000				
Phil Lin	89%	6%	5%	100%
Neil B McCurdy	87%	9%	4%	100%
\$250,000 and below				
Wong Yung Pine	93%	7%	0%	100%
Ler Ching Chua	94%	6%	0%	100%
Mohidin Pitchai Rowther	94%	6%	0%	100%
Barry Donald Wilson-Smith	71%	3%	26%	100%

STRATEGIC VISION COMMITTEE

Jeffrey Stewart Bland (Chairman)
Robert William Livingston
Robert William Livingston II

The Strategic Vision Committee whose terms of reference are approved by the Board is comprised of one non-executive director, one independent director and one executive director. It meets at least twice a year.

The role of the Committee is to provide the Board with an objective and innovative view of the future of the boating industry and a comprehensive understanding of the global market opportunities available to the Company. The Committee draws from the experience of management in market research, product development, production, quality assurance, finance and customer service along with its own independent evaluation of market dynamics, trend analysis, public relations, economic and environmental factors in carrying out its duties and responsibilities.

STATEMENT OF CORPORATE GOVERNANCE

AUDIT COMMITTEE

(Code of Corporate Governance Principle 11; Listing Manual Rule 1207(6)(b))

Reggie Thein (Chairman)
Michael Grenville Gray
Roger Gaimster Langdale

The Audit Committee comprises three independent directors who are appropriately qualified to discharge their responsibilities and functions under the terms of reference approved by the Board. It meets at least four times a year.

The Committee reviews the effectiveness of the Group's material internal controls including financial and operational controls, and risk management. It receives reports from the management, the internal and the external auditors and follows up on outstanding matters contained in those reports where appropriate. It reviews the Group's interim and annual announcements and financial statements before they are submitted to the Board for approval. It reviews the Group's compliance with the Listing Manual and Code of Corporate Governance including interested person transactions. It also recommends the appointment of the external auditors and reviews their independence and their fees.

The Committee has full access to and the cooperation of the management to enable it to properly discharge its responsibilities. The internal and the external auditors have unrestricted access to it.

The Committee has reviewed the non-audit services provided by the external auditors and these services, in its opinion, would not affect the independence of the external auditors. The Committee recommends their re-appointment.

INTERNAL CONTROL

(Code of Corporate Governance Principle 12)

The Board with the assistance of the Audit Committee ensures that the Group maintains an adequate system of internal controls to safeguard shareholders' investments and the Group's assets. 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 internal auditor. The Board is thus satisfied with the adequacy of the Group's internal controls.

INTERNAL AUDIT FUNCTION

(Code of Corporate Governance Principle 13)

The internal audit function is currently carried out by an Internal Audit Manager who reports to the Chairman of the Audit Committee. The Audit Committee reviews and approves the annual internal audit plan as well as reviews the results of the regular audits. The Board is satisfied with the adequacy of the internal audit function and is confident it has an appropriate standing within the Group.

COMMUNICATION WITH SHAREHOLDERS

(Code of Corporate Governance Principles 14 & 15)

The Company makes all necessary disclosures to the public via SGXNET. The Company also maintains a comprehensive website accessible to the public which describes the Company's products and independent dealers, among other items, and includes an investor relations tab to assist shareholders.

Shareholders of the Company receive the Annual Reports and notices of Annual General Meetings (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. Members of the Board and chairmen of the Board committees are present to answer queries raised at the meetings.

DEALING IN SECURITIES

(Listing Manual Rule 1207(18))

The Company has adopted and complied with the section on dealings in securities in the Best Practices Guide issued by SGX-ST.

Directors and senior executives of the Group are not allowed to deal in the Company's shares on short-term considerations or when they are in possession of unpublished material price-sensitive information. They are also reminded regularly not to deal in the Company's shares during the period commencing one month before the announcement of the Group's interim and annual results and ending on the date of announcement of those results. They are required to report to the company secretary whenever they deal in the Company's shares. The company secretary assists the Audit Committee and the Board to monitor such share transactions and make the necessary announcements.

INTERESTED PERSON TRANSACTIONS

(Listing Manual Rule 907 & 1207 (16))

There were no interested person transactions during the 15-month period ended 30 June 2009.

MATERIAL CONTRACTS

(Listing Manual Rule 1207(8))

No material contracts of the Company or its subsidiaries involving the interests of the Chief Executive Officer or any Director or controlling shareholders existed at the end of the financial period or have been entered into since the end of the previous financial year.

RISK MANAGEMENT

With the help of an external consultant, the Company has designed an enterprise risk management (ERM) framework to monitor, manage and build awareness within the Group of the various risks that it is exposed to. A risk assessment of the Group's operations has also been done. The objective of the risk assessment is to identify and assess risks which include key financial, operational, strategic and regulatory risks.

The Audit Committee is regularly updated on the Group's risk management program.