

GKE

CORPORATION LIMITED



*Strokes of
Success*

ANNUAL REPORT 2019

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Core Values

We are committed to deliver effective solutions and services to our customers and create greater value for our shareholders.

CUSTOMER-FOCUSED

We strive to understand our customers' needs and offer innovative and effective solutions and services.

PEOPLE

We value and develop personnel who are passionate and committed about growing our business.

INTEGRITY

We value honesty and trustworthiness, and deliver what we promised.

TEAM WORK

We practise open communications with trust and respect, and work as a team to achieve our corporate goals.

SAFETY MATTERS

We take personal responsibility to think safety and act safely at the workplace.

Our Vision

To become one of the largest integrated warehousing and logistics solutions providers in Singapore.

Our Mission

To deliver effective solutions for our customers and create value for our shareholders.



GKE Corporation Limited (锦佳集团有限公司) and together with its subsidiaries, (“**GKE**” or the “**Group**”) is a leading integrated warehousing and logistics solutions provider offering one-stop, door-to-door multi-modal solutions for supply chain management. The business activities of GKE can be classified into two broad categories: (i) warehousing & logistics, and (ii) strategic investments.

The Group's facilities host one of the best material handling equipment, and the most up-to-date safety and security features. It leverages on information technology to increase order visibility, maximise operational efficiency, minimise surplus inventory, and reduce overall supply chain costs for its customers.

GKE operates its third-party warehousing & logistics business under the “**GKE**”, “**Marquis**” and “**TNS**” brand names. The Group provides total integrated and comprehensive warehousing & logistics solutions and services that include general cargo storage, dangerous cargo storage (Class 2, 3, 4.1, 5.1, 6.1, 8 and 9), bonded and licence warehousing services, conventional transportation, container trucking, project logistics, international multi-modal sea and air freight forwarding services, marine logistics

and chemical warehousing. The Group through its established port operations, enhances the logistics value chain as port operations is the first and last landing points for the import and export of goods.

The Group's strategic investments currently focus on infrastructural materials and services business in the People's Republic of China. The strategic investments are broadened through its wholly-owned subsidiary, Wuzhou Xing Jian Readymix Co., Ltd. (梧州市星建混凝土有限公司) which is primarily engaged in the automated manufacturing and supplying of ready-mix concrete products since June 2016 to the domestic infrastructural and construction sector in Wuzhou City, China. The ongoing urbanisation plans of the PRC spurred the Group to expand its automated ready-mix concrete manufacturing business and extended its operations to construction material waste recycling in Cenxi City, China. Wuzhou Xing Jian also holds the mining rights of a limestone mine in Cangwu County, the PRC. It has formed a strategic joint venture to participate in the mining and production of limestone products.

GKE is listed on the Catalist Board of the SGX-ST under stock code 595.

This annual report has been prepared by GKE Corporation Limited (“**Company**”) and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (“**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Nathaniel C.V. (Telephone no.: +65 6381 6757) at 9 Raffles place #29-01, Republic Plaza Tower 1 Singapore 048619.

LETTER TO SHAREHOLDERS



Mr. Chen Yong Hua

*Executive Chairman and
Executive Director*



Mr. Neo Cheow Hui

*Chief Executive Officer and
Executive Director*

DEAR SHAREHOLDERS,

In the last financial year ended 31 May 2019 (“FY2019”), the Group continued our efforts to refine our business focus and strengthened our core expertise in the warehousing & logistics and infrastructural materials & services business segments.

The ongoing trade dispute between China and the United States as well as geopolitical uncertainties, resulted in an overall economic slowdown and cast uncertainties to the business environment. The financial performance of the Group in FY2019 was mainly undermined by intense competition in the warehousing & logistics industry that saw supply outstripped demand, leading to competitive pricing for storage and logistics services.

The Group achieved another year of record revenue at S\$88.2 million in FY2019, an increase of 23.3% year-on-year, up from S\$71.5 million for the financial year ended 31 May 2018 (“FY2018”). The higher revenue was mainly driven by contributions from the Group’s strategic investment in China, the wholly-owned ready-mix concrete manufacturing plant, Wuzhou Xing Jian Readymix Co., Ltd. (“**Wuzhou Xing Jian**”) as well as warehousing and logistics services. However, the higher operating cost mainly attributed to the sale-and-leaseback of 30 Pioneer Road office cum warehouse property, offset the revenue growth. Continuous efforts to streamline our operations and divest non-performing businesses, saw the Group divested our 49% stake in GKE Metal Logistics Pte. Ltd. for a sale consideration of

US\$2.07 million (equivalent to approximately S\$2.82 million based on an exchange rate of USD 1.00 : SGD 1.37) during FY2019. The Group recognised a net gain of approximately S\$538,000 from this divestment. Without taking into account the loss of the discontinued operations of the liquefied gas carrier, which was divested in FY2018, the Group narrowed our net loss attributable to shareholders by 8.7% from S\$2.3 million in FY2018 to S\$2.1 million in FY2019.

Strengthening performing businesses, balancing growth

To consolidate our fundamental strengths, the Group continues to review and monitor our two business segments, namely (i) warehousing & logistics, and (ii) infrastructural materials and services. These two business segments are based in Singapore and China, respectively.

During FY2019, the Group continued to record growth in our core warehousing & logistics segment, where revenue increased from S\$53.5 million in FY2018 to S\$64.0 million in FY2019, amid intense competition and rising costs of operations. While the financial performance of the Singapore based warehousing & logistics segment faced cost pressures, the Group’s strategic investment, Wuzhou Xing Jian, saw significant growth. Wuzhou Xing Jian recorded a more than two-fold increase in segmental profit (profit-before-tax) from S\$2.1 million in FY2018 to S\$4.8 million in FY2019 on the back of 34.6% increase in revenue from S\$18.2 million in FY2018

LETTER TO SHAREHOLDERS

to S\$24.5 million in FY2019. The higher contribution was attributed to higher average selling prices of its ready-mix concrete as ongoing rural revitalisation plan continues to progress in Wuzhou City, China.

In view of the dynamics in the business landscape in both Singapore and China, the Group took the initiatives to tap on our success in Wuzhou Xing Jian to broaden its operations in the supply chain of the infrastructural materials and services in China through (i) construction of a new automated ready-mix concrete manufacturing plant in Cenxi City, (ii) establishment of a strategic joint venture, Cenxi Haoyi Recycling Co., Ltd., an initiative with Cenxi City government to construct and operate a recycling plant to recycle material waste from mining, construction, manufacturing and other related activities in Cenxi City, and (iii) establishment of a joint venture to participate in the mining and production of limestone products to monetise the mining rights Wuzhou Xing Jian obtained from the municipal land authority of Cangwu County, China.

China's urbanisation rate has increased from 17.9% to 58.5% in the four (4) decades of reform and opening-up¹. During this period, approximately 640 million people (equivalent to 46% of China's population) migrated from the rural to urban areas. The Chinese government's continuous effort to improve people's lives and livelihoods has extended from key cities to rural areas over the years. The Group believes that our active participation, through our expertise in infrastructural materials and services in the rural revitalisation plans that are rolling out gradually, are potential catalysts for the Group to generate stable and sustainable income in the long term.

The investments in China will be financed through internal resources and funds raised from the share placement of 100 million new ordinary shares at an issue price of S\$0.07 per share. The share placement was completed on 22 July 2019 and the total number of shares (excluding treasury shares) has increased from 688,531,890 shares to 788,531,890 shares.

In view of the economic headwinds, the Group stepped up efforts in streamlining our warehousing & logistics segment, particularly the non-performing

businesses. On 18 June 2019, the Group divested our wholly-owned subsidiary, G-Chem Logistics Pte. Ltd. due to increasing losses and its net liabilities position. The Group will recognise a net gain of approximately S\$291,000 from this divestment in the financial year ending 31 May 2020.

The Group believes that our strategy in strengthening our core expertise in our two broad business segments – (i) warehousing & logistics, and (ii) infrastructural materials & services, operating out of Singapore and China, respectively, creates a natural balance for the Group. When the infrastructural materials & services segment was at its initial stages of formation, the performance of the warehousing & logistics segment helped cushion the losses. The situation is currently reversed amid the macroeconomic headwinds. Nevertheless, the Group will continue to review and monitor the performance of the businesses in both segments, seizing opportunities to strengthen the fundamentals. The Group is hopeful to come out stronger with improved financial performances from these twin engines in the future.

Acknowledgments and Appreciation

On behalf of the Board, we thank the management and staff for their continued dedication and efforts. We would like to convey our appreciation to our fellow Directors for their support, particularly our former Board members – Mr. Er Kwong Wah and Mr. Liu Ji Chun, and we also extend our warm welcome to Mr. Loy Soo Chew and Mr. Wong Quee Quee, Jeffrey who joined the Board on 15 April 2019.

We are also thankful to our stakeholders, namely, our customers, bankers, business partners, and our shareholders, for your continued support and confidence. We are committed to strengthen our core businesses in Singapore and China to generate positive value for our shareholders in the years ahead.

CHEN YONG HUA

Executive Chairman and Executive Director

NEO CHEOW HUI

Chief Executive Officer and Executive Director

¹Source: <https://en.wikipedia.org/wiki/UrbanizationinChina>

致股东的信函

诸位股东：

我们集团在最近截至2019年5月31日的财政年度(简称「**2019财年**」)继续致力于对业务焦点精益求精,以及加强我们在仓储与物流及建筑材料与服务两个业务部门的核心专业能力。

中美贸易纠纷不断及地缘政治局势不明朗导致整体经济放缓,给商业环境带来不确定性。而集团2019财年的财务业绩主要受到仓储和物流行业激烈竞争的影响,该行业供应供过于求,导致仓储和物流服务面临竞争性价格。

集团在2019财年录得的8820万新元收入再次创下新高,并且比截至2018年5月31日的财政年度(简称「**2018财年**」)取得的7150万新元高出23.3%。主要的收入增长动力是来自集团在中国的战略性投资——独资预拌混凝土厂梧州市星建混凝土有限公司(简称「**梧州星建**」),以及仓储与物流服务。然而,较高的经营成本,主要归因于30先锋路办公楼及仓库物业售后回租,抵消了收入增长的影响。在我们不断精简营运及脱售欠佳业务的策略下,集团在2019财年以207万美元(按1美元兑1.37新元的兑换率,即相等于约282万新元)把我们在金属物流公司GKE Metal Logistics Pte. Ltd.的49%股份脱售。集团从这项交易中确认了约53万8000新元的净收益。若不包括在2018财年脱售液化气体船而终止相关营运所带来的亏损,集团2019财年归属股东的净亏损年比收窄8.7%至210万新元,2018财年净亏损为230万新元。

增强良好业务,平衡增长

为了巩固我们的基本优势,集团对我们两个业务部门继续作出检讨与观察,即分别以新加坡及中国为阵地的(i)仓储与物流,以及(ii)建筑材料与服务。

在激烈竞争及营运成本攀升的挑战中,集团核心的仓储与物流部门在2019财年依然取得增长,该部门的收入从2018财年的5350万新元增加至2019财年的6400万新元。虽然新加坡的仓储与物流部门面对成本压力,集团的策略性投资梧州星建则取得大幅增长。梧州星建在2019财年录得逾一倍的税前盈利增长,从2018财年的210万新元提高至2019财年的480万新元,收入也从2018财年的1820万新元增加34.6%至2019财年的2450万新元。盈利提高是因为中国梧州市的乡村振兴计划继续取得进展有助预拌混凝土的平均售价上升。

鉴于新加坡及中国的业务环境蓬勃发展,集团借助梧州星建的成功再接再厉,把建筑材料与服务的供应链营运活动扩大,并通过以下途径来达到目的:(i)在岑溪市建设一座新的自动化预拌混凝土厂;(ii)与岑溪市政府合作,成立战略合作企业「**岑溪市好易再生资源有限公司**」,来建设及经营废料再循环厂,回收矿场、建筑业、制造业等相关活动产生的废料;以及(iii)成立一家合资公司从事石灰岩开采及石灰产品生产活动,以便利用梧州星建从中国苍梧县国土局取得的开矿权来为集团作出贡献。

中国改革开放四十载,城市人口从17.9%激增至58.5%。在这四十年里,约6亿4000万人(相等于中国人口的46%)从乡村移居到城市。这些年来,中国政府不断努力改善人民生活与生计的举措从主要城市延伸至乡村地区。集团相信,我们凭借自身在建筑材料与服务方面的专业能力,积极地参与陆续推出的乡村振兴计划,或可成为集团长期取得稳定收入的大好来源。

在中国的投资将通过内部资源以及以每股0.07新元的发行价配售1亿新普通股来筹集



资金。配股于2019年7月22日完成，总股数（不包括库存股）已从688,531,890股增加至788,531,890股。

鉴于经济局势充满挑战，集团加倍努力精简仓储与物流部门的营运，尤其是表现不佳的业务。在2019年6月18日，由于集团化学品物流独资子公司，G-Chem Logistics Pte. Ltd.，的连续亏损及处于净负债状态，集团决定将此脱售。集团将在截至2020年5月31日的财政年度，从这项交易中确认约29万1000新元的净收益。

集团认为，我们加强两个广阔业务部门的核心专业能力的策略将自然而然地形成一种平衡，即分别以新加坡及中国为基地的（i）仓储与物流；及（ii）基建材料与服务两个部门。基建材料与服务部门成立初期，仓储与物流部门带来的贡献有助减轻亏损。如今正值宏观经济逆风吹袭，则反过来由基建材料与服务部门给予支持。然而，集团将继续检讨及监察这两块主要业务的表现，把握机会加强基本面。集团希望随着这两个引擎的发动来改善财务业绩，脱颖而出。

致谢

我们谨代表董事会，向集团的管理层及员工致以万二分的谢意，感谢他们一直以来的奉献与努力。我们对董事会同仁的支持致以真诚谢意，尤其我们的前董事余光华先生及刘季春先生。与此同时，我们也热烈欢迎黎仕洲先生及黄贵贵先生于2019年4月15日加入董事会。

我们也由衷感谢各界相关人士，包括我们的客户、银行伙伴、商业伙伴及我们的股东，感谢你们一如既往的支持与信心。我们将竭尽所能，把我们在新加坡及中国的核心业务发扬光大，以便在未来无数的日子为我们的股东创造丰厚回报。

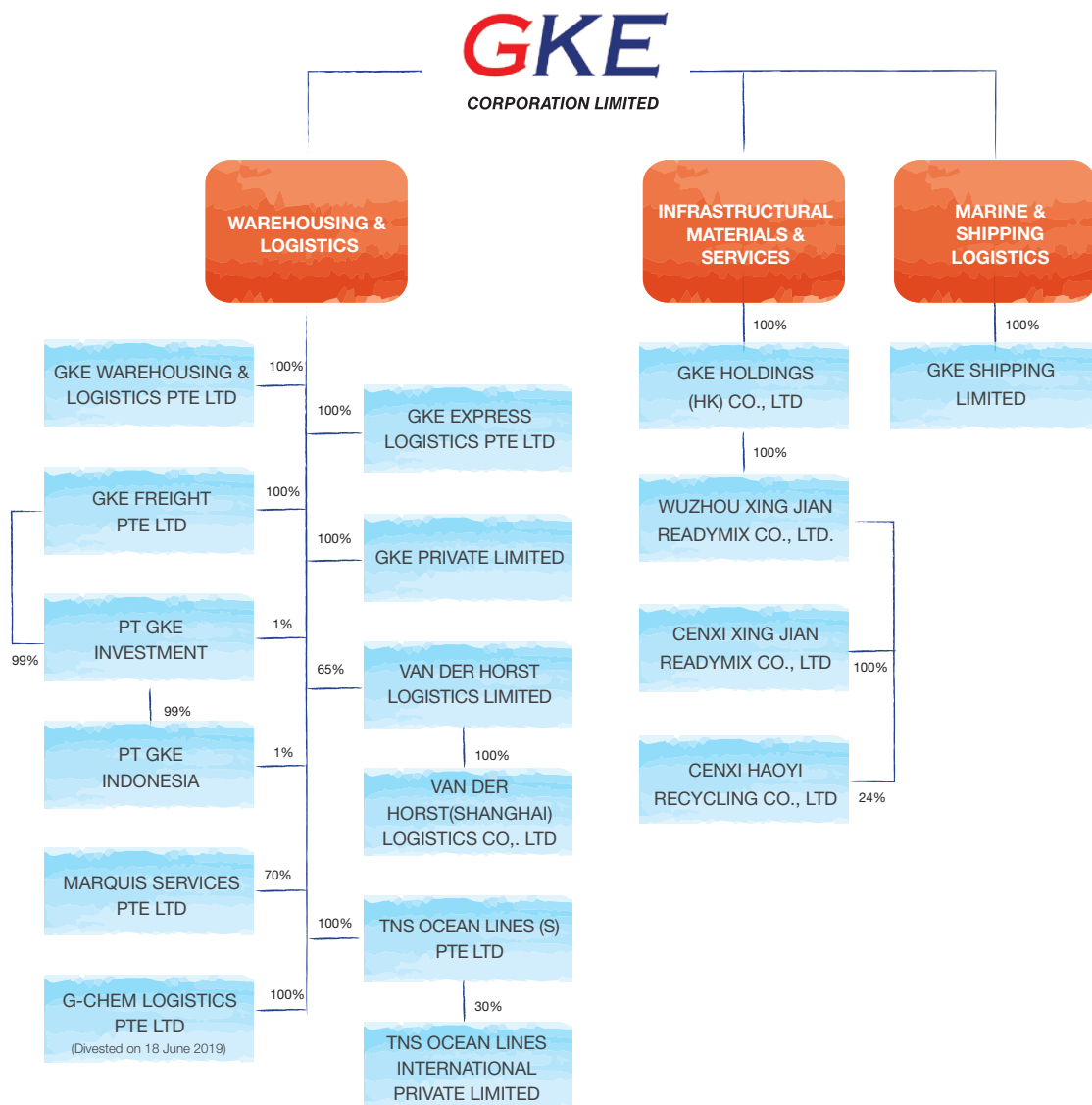
陈永华

执行主席及执行董事

梁昭辉（鹏飞）

执行总裁及执行董事

CORPORATE STRUCTURE



BUSINESS SEGMENTS

The business activities of GKE group of companies can be classified into two broad categories: (i) warehousing & logistics, and (ii) strategic investments. Strategic investments currently focus within the infrastructural materials & services business segment.

WAREHOUSING & LOGISTICS

The Group operates the warehousing & logistics business segment under the brand names “**GKE**”, “**Marquis**” and “**TNS**”, providing a total integrated and comprehensive logistics supply chain solutions & services, and port management & stevedoring services as follows:

GKE Warehousing & Logistics Pte Ltd provides end-to-end logistics solutions and services to its customers in consumer products, manufacturing, oil & gas, electronics and retail industries. It receives cargoes at destinations, provides storage and inventory management at GKE’s warehouses, and delivers to designated recipients in Singapore and around the world.

GKE Freight Pte Ltd has a committed and responsive team that leverages on its multi-modal transportation in sea, air and land, as well as through its network of overseas agents, to meet the freight forwarding requirements of customers.

GKE Express Logistics Pte Ltd offers heavy haulage and handling services, Out-of-Gauge transportation services and specialised in project logistics management services with its own fleet of vehicles including prime movers and trailers.

Marquis Services Pte Ltd is a specialty chemicals storage and management specialist, capable in handling and storage of dangerous goods such as chemical products and flammable materials. It also involves in industrial coating blending services and marine distribution services.

TNS Ocean Lines (S) Pte Ltd provides port management and stevedoring services in the seaport and cleaning services in the airport of Singapore.

STRATEGIC INVESTMENTS ~ INFRASTRUCTURAL MATERIALS & SERVICES

This business segment currently focus on the supply chain of infrastructural materials and services, targeting at the infrastructural, real estate development and construction sectors in the People’s Republic of China.

The Group’s wholly-owned subsidiary, Wuzhou Xing Jian Readymix Co., Ltd. 梧州市星建混凝土有限公司 (“**Wuzhou Xing Jian**”) established in 2013, is primarily engaged in the manufacturing and supply of environmentally-friendly ready-mix concrete. The automated ready-mix concrete manufacturing plant commenced commercial production in June 2016.

Through Wuzhou Xing Jian, the Group has broadened its investments into another automated ready-mix concrete manufacturing plant, (i) Cenxi Xing Jian Readymix Co., Ltd 岑溪市星建混凝土有限公司 as well as a construction material waste recycling plant (ii) Cenxi Haoyi Recycling Co., Ltd 岑溪市好易再生资源有限公司 in Cenxi City, China.

Wuzhou Xing Jian also holds the mining rights of a limestone mine in Cangwu County, China. It has formed a strategic joint venture to participate in the mining and production of limestone products.



Investing for Sustainable Growth

We continue to seize potential growth opportunities within our core expertise.

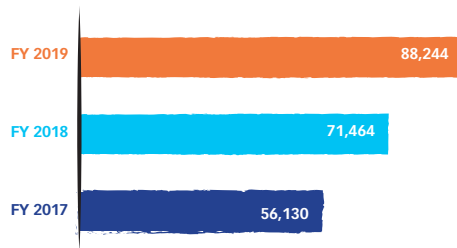


GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 MAY

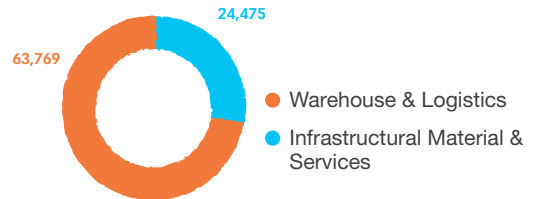
REVENUE

(S\$'000)



REVENUE BY BUSINESS SEGMENT

(S\$'000)



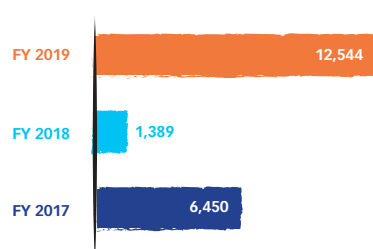
GROSS PROFIT

(S\$'000)



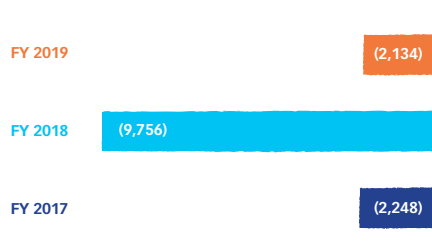
EBITDA

(S\$'000)



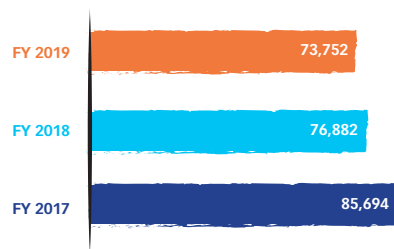
PATMI

(S\$'000)



NET ASSETS VALUE

(S\$'000)



GROUP FINANCIAL HIGHLIGHTS

Financial Year Ended 31 May	2019	2018	2017
		(Restated)	(Restated)
FOR THE FINANCIAL YEAR (S\$'000)			
Revenue	88,244	71,464	56,130
(Loss)/Profit			
EBITDA	12,544	1,389	6,450
Operating	(1,928)	(9,326)	(1,819)
Before tax	178	(8,363)	(2,086)
After tax and minority interests	(2,134)	(9,756)	(2,248)
PER SHARE (Singapore cents)			
(Loss)/Earnings			
After tax and minority interest	(0.31)	(1.42)	(0.34)
Weighted average number of issued/ shares (thousand)	688,532	686,368	658,077
Number of issued shares as at 31 May (thousand)	694,700	694,700	694,700
AT YEAR-END (S\$'000)			
Net assets	73,752	76,882	85,694
Net tangible assets	64,436	64,608	72,222
Shareholders' funds	68,819	71,642	80,784
Minority interests	4,933	5,240	4,910
Capital employed	78,165	78,165	78,165
Total borrowings	72,937	78,397	61,141
Debt-to-equity ratio	98.9%	102.0%	71.3%
RETURN ON SHAREHOLDERS' FUNDS			
Profit/(Loss) before tax	0.3%	(11.7%)	(2.6%)
(Loss)/Profit after tax and minority interest	(3.1%)	(13.6%)	(2.8%)
SHAREHOLDERS' VALUE			
Share price as at 31 May (S\$)	0.068	0.082	0.170

Note:

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation.

The ongoing trade dispute between the United States and China as well as geopolitical uncertainties continue to undermine the global economy and domestic business environment. While the Group grappled with these external factors, it continued to streamline its non-performing businesses, to focus on profit-generating divisions during the financial year ended 31 May 2019 (“**FY2019**”).

During the financial year, the Group divested one of its non-performing businesses under third-party logistics segment, namely, GKE Metal Logistics Pte. Ltd. (“**GKE Metal**”), and broadened its investments in the supply chain of infrastructural materials and services in China through its wholly-owned Chinese subsidiary, Wuzhou Xing Jian Readymix Co., Ltd. (“**Wuzhou Xing Jian**”).

On 8 August 2018, the Group divested its 49% stake in GKE Metal, an approved London Metal Exchange (“**LME**”) warehouse service provider operating in both Singapore and Shanghai that acts as custodian for the storage and handling of non-ferrous metals that are traded on the LME, for a sale consideration of US\$2.07 million (equivalent to approximately S\$2.82 million based on an exchange rate of USD 1.00 : SGD 1.37). The Group recognised a net gain of approximately S\$538,000 from this divestment.

In May 2019, the Group embarked on initiatives to broaden its infrastructural materials and services segment through Wuzhou Xing Jian with the (i) construction of a new automated ready-mix concrete manufacturing plant in Cenxi City, (ii) establishment of a strategic joint venture, Cenxi Haoyi Recycling Co., Ltd., an initiative with Cenxi City government to construct and operate a recycling plant to recycle material waste from mining, construction, manufacturing and other related activities in Cenxi City, and (iii) establishment of a joint venture to participate in the mining and production of limestone products to monetise the mining rights Wuzhou Xing Jian obtained from the municipal land authority of Cangwu County. These initiatives are targeted to generate stable and sustainable income for the Group in the long term.

For FY2019, the Group continued to register another year of record revenue at S\$88.2 million, an increase of 23.3% year-on-year, up from S\$71.5 million for the financial year ended 31 May 2018 (“**FY2018**”). The higher revenue was mainly driven by contributions from Wuzhou Xing Jian as well as warehousing and trucking services.

Cost of sales increased by 26.3% year-on-year from S\$57.8 million in FY2018 to S\$73.0 million in FY2019 on higher operational expenses with higher production volume at Wuzhou Xing Jian and increased business



PERFORMANCE REVIEW

activities at the Group's warehousing and logistics segment. Gross profit rose by 11.7% year-on-year from S\$13.7 million in FY2018 to S\$15.3 million in FY2019. However, the composite gross margin declined from 19.1% in FY2018 to 17.3% in FY2019. This was mainly due to the increase in depreciation of property, plant and equipment that led to lower margin from the warehousing & logistics segment in Singapore, in spite of improved margin from Wuzhou Xing Jian in China.

Other income increased from S\$1.6 million in FY2018 to S\$3.7 million in FY2019. This was mainly due to fair value on contingent consideration, gain on disposal of GKE Metal as well as interest income.

Total operating expenses saw an increase of 13.7% year-on-year to S\$15.8 million in FY2019 as compared to S\$13.9 million in FY2018. This was mainly due to higher marketing expenses incurred by Wuzhou Xing Jian and an impairment loss on goodwill amounting to S\$1.9 million.

Finance costs increased by 31.6% year-on-year from S\$1.9 million in FY2018 to S\$2.5 million in FY2019 as a result of loans taken for the redevelopment of 39 Benoi Road property and the purchase of equipment.

Other expenses of S\$0.2 million incurred in FY2019 was mainly due to net foreign exchange losses.

The share of results of associates reduced from a loss of S\$0.3 million in FY2018 to a loss of S\$0.1 million in FY2019, mainly due to the divestment of GKE Metal.

In the year under review, there was no discontinued operations as compared to the loss of S\$7.5 million in FY2018, which was due to the divestment of its 50% stake in Ocean Latitude Limited, the joint venture that owns the liquefied gas carrier.

Net loss attributable to shareholders narrowed from S\$9.8 million in FY2018 to S\$2.1 million in FY2019.

STATEMENT OF FINANCIAL POSITION

The Group's equity attributable to owners of the Company decreased from S\$71.6 million as at 31 May 2018 to S\$68.8 million as at 31 May 2019. The decrease was mainly due to the loss for the financial year and lower translation reserves at year end.

Non-current assets decreased by S\$12.6 million or 9.1% from S\$138.1 million as at 31 May 2018 to S\$125.5 million as at 31 May 2019. This was largely due to (i) the decrease in property, plant and equipment arising from depreciation and adjustment of redevelopment costs for 39 Benoi Road property, and (ii) decrease in investment in associate as a result of divestment of GKE Metal. The decrease was partially offset by the acquisition of mining rights by Wuzhou Xing Jian.

Current assets increased by S\$5.9 million or 15.3% from S\$38.6 million as at 31 May 2018 to S\$44.5 million as at 31 May 2019. The increase was mainly due to higher trade receivables from Wuzhou Xing Jian on higher revenue and increase in prepaid operating expenses, which was offset by the decrease in cash and short-term deposit from S\$14.8 million as at 31 May 2018 to S\$11.7 million as at 31 May 2019. The decrease in cash and short-term deposit was due to repayment of borrowings and finance lease as well as purchase of fixed assets, and moderated with an increase in borrowings.

Non-current liabilities increased by S\$6.0 million or 10.0% from S\$59.9 million as at 31 May 2018 to S\$65.9 million as at 31 May 2019, due to the reclassification of certain borrowings from current liabilities as a result of a renewal of its loan repayment schedule. This was

PERFORMANCE REVIEW



partially offset by a decrease in other liabilities due to the reclassification of certain retention sum to current liabilities.

Current liabilities decreased by S\$9.6 million or 24.0% from S\$39.9 million as at 31 May 2018 to S\$30.3 million as at 31 May 2019. This was mainly due to repayment of borrowings and reclassification of certain bank borrowings from non-current liabilities. The decrease was partially offset by the increase in trade and other payables and finance lease liabilities due to the purchase of motor vehicles.

CASH FLOWS

The Group generated S\$6.2 million net cash from operating activities in FY2019, compared with S\$5.7 million in FY2018. The increase was mainly due

to positive operating cash flows before changes in working capital of S\$12.9 million, adjusted by a decrease in net working capital of S\$4.6 million, as well as interest received and income tax paid of S\$48,000 and S\$2.1 million, respectively.

Net cash generated from investing activities of S\$0.6 million in FY2019 was mainly due to the cash outlay for the purchase of fixed assets of S\$2.3 million, offset by the proceeds from the disposal of fixed assets of S\$152,000 and divestment of the investment of associate of S\$2.8 million.

Net cash used in financing activities of S\$10.2 million in FY2019 was mainly due to the repayment of loans, finance leases and interest expenses, offset by bank borrowings of S\$3.4 million for the construction at 39 Benoi Road and warehouse racking system.

BOARD OF DIRECTORS



MR. CHEN YONG HUA

Executive Chairman and Executive Director

Mr. Chen Yong Hua was appointed as Executive Chairman and Executive Director on 12 January 2012. He is responsible for leading the Board and ensuring the overall effectiveness of the Board and its Board Committees as well as working alongside with the Chief Executive Officer on strategies. He is also responsible for the oversight of the Group's businesses in China.

Mr. Chen brings with him a wealth of experience in corporate leadership and management from his involvements in the operations of companies across various industries in China. These businesses include primary land development, quarry, ready-mix concrete manufacturing, real estate development, logistics and newspaper printing. Mr. Chen holds several directorships in a few private Chinese companies.



MR. NEO CHEOW HUI

Chief Executive Officer and Executive Director

Mr. Neo Cheow Hui is the Chief Executive Officer and Executive Director of the Group. He is responsible for the overall management of the Group, setting corporate direction and leading the senior management in strengthening the Group's businesses and competitiveness for long-term success. He has extensive experience in the logistics industry and had played a pivotal role in developing high level strategies and making major corporate investments over the last 20 years.

Mr. Neo joined the Group in 1995, and rose through the ranks to become the Chief Operating Officer in 2005 and was subsequently promoted to Chief Executive Officer and Executive Director on 3 January 2012.

BOARD OF DIRECTORS



MS. QIAN WEN HUA

Executive Director

Ms. Qian Wen Hua joined the Group as Executive Director in 1 March 2015. Equipped with relevant business experience, Ms. Qian Wen Hua oversees the Group's business development in China.



MR. LOY SOO CHEW

Lead Independent Director

Mr. Loy Soo Chew was appointed as a Lead Independent Director of the Company on 15 April 2019. He is the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Loy has been the Group Managing Director of Kian Ann Group since 2014 and his primary responsibilities cover exploring and evaluating new business opportunities and overseeing the day-to-day running of the Group.

Mr. Loy joined Kian Ann Group in 1996 as the Finance Manager and was promoted to General Manager and subsequently to Executive Director. Prior to this appointment, he was with Lee Kim Tah Holdings Limited as an Accountant. Mr. Loy obtains his Master of Business Administration from the University of Leeds in 2000 and graduated with a Bachelor of Business (major in Professional Accounting) from the University of Southern Queensland in 1996. He is an Associate of CPA Australia.

BOARD OF DIRECTORS



MR. ANDREW CHUA THIAM CHWEE
Independent Director

Mr. Andrew Chua was appointed to the Board as an Independent Director of the Company on 30 September 2015. He is the Chairman of the Nominating Committee and a member of the Audit Committee. A veteran banker, Mr. Chua has over 20 years of banking experience with DBS Bank Ltd where he was formerly a Managing Director of Enterprise Banking.

Mr. Chua is the Managing Director at SME Care Pte Ltd. He is also the Chairman of the West Coast Citizens' Consultative Committee. Mr. Chua graduated from University of Singapore with a Bachelor of Business Administration in 1976.



MR. HO YING MING
Independent Director

Mr. Ho Ying Ming was appointed as an Independent Director of the Company on 30 September 2015. He is the Chairman of Remuneration Committee and a member of the Nominating Committee. Mr. Ho has been a partner at Shook Lin & Bok since 2011 and practices in the areas of corporate finance, specialising in mergers and acquisitions and private equity work. He has extensive experience in advising international and domestic companies (both public and private) on a broad range of cross-border corporate finance transactions in Asia.

Prior to joining Shook Lin & Bok LLP, Mr. Ho worked with a leading international firm in Singapore and China, as well as a leading local firm in Singapore, where he advised on numerous mergers and acquisitions, joint ventures, private equity and venture capital transactions. He also has experience in funds related work, advising on financial services regulatory and compliance issues and general discretionary fund management matters. Mr. Ho graduated from University of Singapore with a Second Class Upper degree in Bachelor of Laws (Honours) in 2002.



MR. WONG QUEE QUEE, JEFFREY
Independent Director

Mr. Jeffrey Wong was appointed as an Independent Director of the Company on 15 April 2019. He is a member of the Audit, Nominating and Remuneration Committees. Mr. Wong has been the Chief Executive Officer of SooChow CSSD Capital Markets (Asia) Pte. Ltd. since April 2018.

Prior to joining SooChow CSSD Capital Markets (Asia) Pte. Ltd., Mr. Wong held various senior positions within the Religare Capital Markets ("RCM") group, including as Chief Operating Officer and Head of Investment Banking for RCM's international business. Mr. Wong also has preceding working experience at UBS AG, Singapore branch and Allen & Gledhill LLP. Mr Wong graduated with a Bachelor of Laws (Honours) from the National University of Singapore.

MS. DOREEN CHAI HWEE HOON

Group General Manager
GKE Corporation Limited

Managing Director
GKE Freight Pte Ltd
GKE Express Logistics Pte Ltd

Ms. Doreen Chai started the freight division for the Group since October 2004. She was promoted to Group General Manager in 2006 to assist the CEO to promote the logistics activities. She is responsible for the development and expansion of the freight and project logistics business units for the Group.

Ms. Chai brings with her more than 20 years of experience in the freight forwarding industry and holds a Diploma in Business Studies.

MS. MARINA NEO HWEE LEE

Managing Director
GKE Warehousing & Logistics Pte Ltd

Ms. Marina Neo joined the Group since its inception in 1995 and rose through the ranks to become the Managing Director of GKE Warehousing & Logistics Pte Ltd. She is responsible for the management and business development for the warehousing & logistics business unit.

Ms. Neo graduated from Charles Sturt University with a Bachelor Degree in Business Administration and Economics.

MS. GOH LAY NAH

Managing Director
Marquis Services Pte Ltd

Ms. Goh joined the Group in December 2015 following the acquisition of Marquis Services Pte Ltd by GKE. She has more than 10 years of experience in the freight division of a reputable airline as well as one of the world's largest international freight & logistic company.

Ms. Goh has been instrumental to the growth of Marquis since its inception in 2001 and she is responsible for overseeing Marquis and the overall management of the business and operations. Marquis provides warehousing facility capable of storing highly hazardous and dangerous chemicals, marine logistics services as well as marine coating blending services.

Ms. Goh holds a Diploma in Marketing Management from University of Oklahoma.

MR. KEVIN TAN MENG CHUAN

Managing Director
TNS Ocean Lines (S) Pte Ltd

Mr. Tan joined the Group in December 2016 following the acquisition of TNS Ocean Lines (S) Pte Ltd by GKE. He has more than 20 years of working experience in the shipping, logistics and project forwarding industry.

He started his career journey in 1995 as a junior shipping assistance with a building materials company where he learned the basics of the imports/exports & shipping requirements. Over the years, he rose through ranks and became the Managing Director and Managing Partner of a German international project forwarding company based in Singapore in 2001. This business was merged into TNS in 2005 and Mr. Tan has since been the Managing Director of TNS. Mr. Tan continues to be responsible in overseeing the overall management and operations of TNS.

KEY MANAGEMENT

MS. LI ZI YAN

Investment Manager
GKE Corporation Limited

Ms. Li joined the investment department of the Group as an Investment Manager in February 2012. She is responsible for the investment management of GKE Holding (HK) Co., Limited. Prior to joining the Group, Ms. Li held various positions as the Chief Executive Officer and Financial Controller in several large and medium-sized enterprises in China.

Ms. Li holds a Bachelor Degree in Economics and Business Management from Renmin University of China.

MR. CHUA WEI CHYE LAWRENCE

Chief Financial Officer
GKE Corporation Limited

Mr. Lawrence Chua joined the Group as the Senior Financial Controller in March 2016 and was promoted to Chief Financial Officer in November 2018. Mr. Chua is responsible for Group's overall accounting and finance function including treasury functions, risk management and investor relations.

Prior to joining the Group, Mr. Chua had held several head of finance positions with companies listed on the SGX-ST. He has accumulated experiences in handling audit and initial public offering projects with one of the Big Four accounting firms.

Mr Chua. holds a Master in Business Administration from Manchester Business School. He is a fellow member of the Association of Chartered Certified Accountants (ACCA), United Kingdom and a non-practising member of the Institute of Singapore Chartered Accountants.

MR. TOH CHENG CHYE

Group Finance Manager
GKE Corporation Limited

Mr. Toh joined the Group as the Group Finance Manager in March 2015. He is responsible for the Group's overall financial and management reporting.

Mr. Toh has more than 15 years of experience in accounting and finance function. Prior to joining the Group, he had held positions as Finance Manager with Koon Holdings Limited, Food Junction Holdings Limited and Invista Singapore Pte Ltd.

Mr. Toh is a graduate of the Association of Chartered Certified Accountants (ACCA), United Kingdom.

REPORT OF CORPORATE GOVERNANCE

The Board of Directors (“**Board**”) of GKE Corporation Limited (“**Company**”) is committed to maintain a high standard of corporate governance for the Company and its subsidiaries (“**Group**”). The Company believes that good corporate governance establishes and maintains an ethical environment and enhances the interests of all shareholders.

The Group is committed to set the corporate governance practices in place to be in line with the recommendations of the Code of Corporate Governance 2012 (“**Code**”). This report sets out the Group’s main corporate governance practices that were in place throughout and/or during the financial year or which will be implemented and where appropriate, we have provided explanations for deviation from the Code.

The new Code of Corporate Governance 2018 was issued on 6 August 2018 (“**Revised Code**”), and will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the Revised Code does not apply to the Group for the financial year ended 31 May 2019 (“**FY2019**”), and accordingly, the Group will only make reference to the Code in reviewing and implementing its corporate governance structures and practices.

(A) BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. Apart from its fiduciary duties, the Board provides strategic guidance for the Group and supervises executive Management. The Board’s roles are as follows:

- establish policies on matters such as financial control, financial performance and risk management procedures;
- establish goals for Management and monitors the achievement of these goals;
- provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets; and
- identify the key stakeholder groups and recognize that their perceptions affect the Company’s reputation.

To assist in the execution of its responsibilities, the Board is supported by three Board Committees; namely the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”) (collectively “**Board Committees**”). The Board Committees operate within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.

REPORT OF CORPORATE GOVERNANCE

The Board holds regular scheduled meetings to review the Group's key activities, business strategies, funding decisions, financial performance and to approve the release of the results of the Group. Ad-hoc meetings are convened when circumstances require. Meetings via telephone are permitted by the Company's Constitution. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction.

The following table sets out the number of Board and Board Committees meetings held during FY2019 and the attendance of each Director at these meetings:

	Board		AC		NC		RC	
Name of Directors	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
	held	attended	held	attended	held	attended	held	attended
Chen Yong Hua	4	4	4	4*	1	1*	1	1*
Neo Cheow Hui	4	4	4	4*	1	1*	1	1*
Qian Wen Hua	4	4	4	4*	1	1*	1	1*
Liu Ji Chun ⁽¹⁾	4	2	4	2*	1	0	1	0
Er Kwong Wah ⁽²⁾	4	3	4	3	1	0	1	0
Ho Ying Ming	4	4	4	4	1	1	1	1
Andrew Chua Thiam Chwee	4	4	4	4	1	1	1	1*
Wong Quee Quee, Jeffrey ⁽³⁾	4	1	4	1	1	1	1	1
Loy Soo Chew ⁽⁴⁾	4	1	4	1	1	1*	1	1

Notes:

* By invitation

⁽¹⁾ Mr. Liu Ji Chun has resigned as the Non-Executive Director on 15 April 2019.

⁽²⁾ Mr. Er Kwong Wah has resigned as the Lead Independent Director on 15 April 2019.

⁽³⁾ Mr. Wong Quee Quee, Jeffrey was appointed as the Independent Director on 15 April 2019.

⁽⁴⁾ Mr. Loy Soo Chew was appointed as the Lead Independent Director on 15 April 2019.

The Group had adopted a set of internal guidelines setting forth financial authorisation and approval limits for investments, acquisitions and disposals. Transactions falling outside the ordinary course of business and where the value of a transaction exceeds these limits have to be approved by the Board.

Matters which specifically require the Board's decision or approval are those involving:

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment to the Board and appointment of key personnel;

REPORT OF CORPORATE GOVERNANCE

- announcements of quarterly, half-year and full-year results, the annual report and financial statements, circulars and all other announcements broadcasted via SGXNet;
- material acquisitions and disposal of assets; and
- all matters of strategic importance.

The Directors are also updated regularly with changes to the Listing Manual Section B: Rules of Catalist (“**Rules of Catalist**”) of Singapore Exchange Securities Trading Limited (“**SGX-ST**”), risk management, corporate governance, insider trading, key changes in the relevant regulatory requirements, financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

News releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority (“**ACRA**”) which are relevant to the Directors are circulated to the Board. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditor updates the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of their duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Rules of Catalist of the SGX-ST that affect the Company and/or the Directors in discharging their duties. The expense of the training for the Directors shall be borne by the Company.

In July 2010, SGX-ST and ACRA had launched the “Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditor” which aims to facilitate the AC in evaluating the external auditor. Accordingly, the AC had evaluated the performance of the external auditor based on the key indicators of audit quality set out in the said guidance.

Newly-appointed Directors undergo an orientation program with materials provided to help them get familiarised with the business and organisation structure of the Group. To get a better understanding of the Group’s business, the Directors are also given the opportunity to visit the Group’s operational facilities and meet with the Management.

A formal letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board.

REPORT OF CORPORATE GOVERNANCE

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board comprises three (3) Executive Directors and four (4) Independent Directors:

Executive Directors

Mr. Chen Yong Hua (Executive Chairman)
Mr. Neo Cheow Hui (Chief Executive Officer)
Ms. Qian Wen Hua

Independent Directors

Mr. Loy Soo Chew (Lead Independent Director)
Mr. Ho Ying Ming
Mr. Andrew Chua Thiam Chwee
Mr. Wong Quee Quee, Jeffrey

The NC is of the view that the current Board, with Independent Directors making up a majority of the Board, has a strong and independent element to exercise objective judgment on corporate affairs.

The NC considers an Independent Director as one who has no relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The NC has reviewed the independence of each Independent Director and is of the view that all Independent Directors are independent. No Independent Director has served on the Board beyond nine (9) years.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominate the Board's decision making process.

There is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in accounting, finance, business and management, strategic planning and law.

The Independent Directors participate actively during Board meetings. In addition to providing constructive advice to the Management on pertinent issues affecting the affairs and business of the Group, the Independent Directors also review the Management's performance in meeting goals and objectives of the Group's business segments.

The Company has benefited from the Management's access to its Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The Independent Directors communicate amongst themselves and with the Company's auditor and Management. Where necessary, the Company co-ordinates informal meetings for Independent Directors to meet without the presence of the Executive Directors and/or Management.

REPORT OF CORPORATE GOVERNANCE

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible of the company's business. No one individual represent a considerable concentration of power.

There is a clear division of responsibilities between the Chairman and Chief Executive Officer (“CEO”), which ensures there are a balance of power, increased accountability and greater capacity for the Board in terms of independent decision making. The Group keeps the posts of Chairman and CEO separate. Mr. Chen Yong Hua is the Executive Chairman while Mr. Neo Cheow Hui is the CEO. The Chairman is responsible for the formulation of the Group's strategic, direction and expansion plans, while the CEO is responsible for the conduct of the Group's daily business operations.

The Chairman ensures that Board members are provided with complete, adequate and timely information. The Chairman ensures that procedures are introduced to comply with the Code and ensures effective communications within the Board and with the shareholders.

The responsibilities of the Chairman are in compliance with Guideline 3.2 of the Code, which includes:

- scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;
- ensuring the Group's compliance with the Code; and
- acting in the best interest of the Group and of the shareholders.

All major decisions made by the Board are subject to majority approval of the Board.

Notwithstanding that the Executive Chairman, Mr. Chen Yong Hua, is part of the management team and is not considered an Independent Director, the Company remains in compliance with Guideline 3.3 of the Code, where Mr. Loy Soo Chew has been appointed as the Lead Independent Director of the Company on 15 April 2019 in place Mr. Er Kwong Wah who has ceased as the Lead Independent Director on 15 April 2019, to co-ordinate and to lead the Independent Directors in providing a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the main liaison on Board issues between the Independent Directors and the Chairman. He is available to shareholders where they have concerns when contact through the normal channels of the Chairman, the CEO, or the Chief Financial Officer has failed to resolve or where such communication is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Chairman after such meetings.

The Board believes that the Independent Directors have demonstrated high commitment in their role as Directors and there are adequate safeguards in place to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

REPORT OF CORPORATE GOVERNANCE

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC comprises three (3) Independent Directors as follows:

Nominating Committee

Mr. Andrew Chua Thiam Chwee (Chairman)

Mr. Wong Quee Quee, Jeffrey

Mr. Ho Ying Ming

The NC is regulated by its terms of reference and its principal functions are as follows:

- to re-nominate existing Directors, having regard to their contribution and performance;
- to assess the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board;
- to determine on an annual basis whether or not a Director is independent;
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple board representations;
- to review the training and professional development programs for the Board; and
- to review the Board succession plans for Directors, in particular, the Chairman and the CEO.

In selecting new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. Recommendations for appointment of new Directors are put to the Board for its consideration and/or approval. New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next Annual General Meeting (“AGM”).

The Company’s Constitution requires one-third of the Board to retire by rotation at every AGM every three (3) years. Directors who retire are eligible to offer themselves for re-election. Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

The NC has recommended to the Board that Mr. Andrew Chua Thiam Chwee, Mr. Ho Ying Ming, Mr. Wong Quee Quee, Jeffrey and Mr. Loy Soo Chew be nominated for re-election at the forthcoming AGM. The Board had accepted the recommendations and the retiring Directors will be offering themselves for re-election.

For the financial year under review, the NC is of the view that the Independent Directors of the Company are independent (as defined under Principle 2 as set out in page 22 of this Annual Report) and are able to exercise judgment on the corporate affairs of the Group that is independent of the Management.

REPORT OF CORPORATE GOVERNANCE

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deem fits.

The Company currently does not have any alternate Directors.

Details of the Directors' academic and professional qualifications and directorships both present and those held over the preceding 3 years in other listed companies and other principal commitments are set out on pages 14 to 16 and 39 to 54 of the Annual Report.

The key information regarding Directors is set out below:

Name of Director	Board Appointment Executive / Non-Executive	Board Committees as Chairman or Member	Directorship Date of First Appointment / Date of Last Re-Election	Due for Re- Election / Re-Appointment on forthcoming Annual General Meeting
Mr. Chen Yong Hua	Executive Chairman and Executive Director	Board Member	12 January 2012 / 28 September 2017	–
Mr. Neo Cheow Hui	Chief Executive Officer and Executive Director	Board Member	21 July 2005 / 28 September 2018	–
Ms. Qian Wen Hua	Executive Director	Board Member	1 March 2015 / 28 September 2018	–
Mr. Loy Soo Chew	Lead Independent Director	Board Member, Chairman of AC and Member of RC	15 April 2019 / -	√
Mr. Ho Ying Ming	Independent Director	Board Member, Chairman of RC, and Member of NC	30 September 2015 / 28 September 2016	√
Mr. Andrew Chua Thiam Chwee	Independent Director	Board Member, Chairman of NC, and Member of AC	30 September 2015 / 28 September 2016	√
Mr. Wong Quee Quee, Jeffrey	Independent Director	Board Member, Member of AC, NC and RC	15 April 2019 / -	√

Note: Information on the Directors' shareholding in the Company is set out in the Directors' Statement.

REPORT OF CORPORATE GOVERNANCE

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

The NC decides on how the Board's performance is to be evaluated and to propose objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The performance evaluation takes into consideration the Company's share price performance *vis-a-vis* the Singapore Straits Times Index. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution from each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

The Board and the NC have endeavoured to ensure that the Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

During the financial year under review, the Directors were requested to complete the evaluation form of the Board as a whole, Board Committees and individual director respectively to assess the overall effectiveness of the Board, Board Committees and individual director. The results of the evaluation exercise were considered by the NC which then made recommendations to the Board on enhancements to improve the effectiveness of the Board as a whole.

The NC, having reviewed the performance of the Board as a whole, Board Committees and individual Director, is of the view that the performances of the Board, Board Committees and individual Director have been satisfactory and met its performance objectives. No external facilitator was used in the evaluation process.

Access to Information

Principle 6: In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company makes available to all Directors the quarterly management accounts, as well as the relevant background information relating to the financial, business and corporate matters of the Group to be discussed at the Board and Board Committees meetings as to enable the Directors to be properly briefed on matters to be considered and discussed. The Directors are also provided with the contact details of the Company's Management and Company Secretary to facilitate separate and independent access.

The Directors are provided with regular updates from time to time by professional advisors and the Management. In addition, all relevant information on material events and transactions are circulated to the Board as and when they arise. The Board has separate independent access to the Company's Management and the Company Secretary.

REPORT OF CORPORATE GOVERNANCE

The Company Secretary and/or her representative administers, attend and prepare the minutes of the Board and Board Committees meetings. Together with the members of the Company's Management, the Company Secretary and/or her representative administer assists the Chairman of the Board and/or the AC, NC, and RC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively. Each Director has the right to seek independent legal and other professional advice in furtherance of their duties and responsibilities, at the Company's expense, concerning any aspect of the Group's operations or undertakings. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC comprises three (3) Independent Directors as follows:

Remuneration Committee

Mr. Ho Ying Ming (Chairman)
Mr. Wong Quee Quee, Jeffrey
Mr. Loy Soo Chew

The members of the RC carried out their duties in accordance with the terms of reference which include recommending to the Board, a framework of remuneration for each Director.

The RC recommends to the Board a framework for the remuneration for the Board and key management personnel and to determine specific remuneration packages for each Executive Director which is based on transparency and accountability.

The RC is regulated by its terms of reference and its key functions include:

- reviewing and recommending to the Board a framework of remuneration for all Directors of the Company and Management;
- reviewing the service contracts of the Executive Directors; and
- reviewing and submitting its recommendations for endorsement by the Board.

The RC was formed with the mandate to oversee the general compensation of employees of the Group with a goal to motivate, recruit and retain employees and Directors through competitive compensation and progressive policies.

REPORT OF CORPORATE GOVERNANCE

No Director will be involved in determining his own remuneration.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. There were no remuneration consultants engaged by the Company in FY2019.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Company has a remuneration policy, which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus respectively, and take into account the performance of the Company as a whole and the performance of the individual Director and the key management personnel so as to align remuneration with the interests of shareholders and link rewards to corporate and individual performance.

The Company had entered into service agreements with Mr. Neo Cheow Hui and Mr. Chen Yong Hua on 1 June 2016 for an initial period of three (3) years. The service agreements had been extended on the same terms and conditions for another three (3) years, and will continue to be extended automatically on the same terms and conditions upon expiry of the existing service agreements.

The remuneration packages for the Executive Directors and key management personnel will be reviewed by the RC annually to ensure that their remuneration packages commensurate with their performance and that of the Company. For FY2019, the RC is satisfied that the performance conditions for the Executive Directors and key management personnel were met.

The Company does not have any employee share option scheme or other long-term employee incentive scheme.

The Independent and Non-Executive Director do not have service agreements with the Company. They are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of the Independent Director. The fees are subject to approval by the shareholders at each AGM. Save for Directors' fees as disclosed below, the Independent Directors do not receive any other remuneration from the Company in FY2019.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

REPORT OF CORPORATE GOVERNANCE

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown, showing the level and mix of each individual Director's remuneration for the FY2019 are as follows:

Directors

Names	Directors' Fees ⁽¹⁾	Salary	Bonus	Benefits	Total
	(%)	(%)	(%)	(%)	(%)
<u>S\$250,000 to S\$500,000</u>					
Chen Yong Hua	0	93	5	2	100
Neo Cheow Hui	0	89	5	6	100
<u>Below S\$250,000</u>					
Qian Wen Hua	0	92	7	1	100
Loy Soo Chew	100	0	0	0	100
Wong Quee Quee, Jeffrey	100	0	0	0	100
Ho Ying Ming	100	0	0	0	100
Andrew Chua Thiam Chwee	100	0	0	0	100

Note:

⁽¹⁾ These fees are subject to the approval of the shareholders at the forthcoming AGM.

A breakdown, showing the level and mix of top key management personnel who are not Directors or the CEO of the Company for FY2019 are as follows:

Name of Key Management Personnel	Salary	Bonus	Benefits	Total
	%	%	%	%
<u>S\$250,000 to S\$500,000</u>				
Goh Lay Nah	69	30	1	100
Chai Hwee Hoon, Doreen	83	16	1	100
Neo Hwee Lee, Marina ⁽¹⁾	87	12	1	100
<u>Below S\$250,000</u>				
Chua Wei Chye Lawrence	85	14	1	100
Li Zi Yan	87	12	1	100
Toh Cheng Chye	87	12	1	100
Tan Meng Chuan	96	4	0	100

REPORT OF CORPORATE GOVERNANCE

Details of remuneration paid to the immediate family member of Directors or CEO for FY2019 are as follows:

Name of Immediate Family Member	Salary %	Bonus %	Benefits %	Total %
<u>S\$250,000 to S\$500,000</u>				
Neo Hwee Lee, Marina	87	12	1	100
<u>Below S\$250,000</u>				
Chen Jiang Nan ⁽²⁾	86	12	2	100

Notes:

⁽¹⁾ Ms. Neo Hwee Lee, Marina is the sister of Mr. Neo Cheow Hui.

⁽²⁾ Mr. Chen Jiang Nan is the son of Mr. Chen Yong Hua.

Except as disclosed above, there were no employees who were immediate family members of a Director or CEO whose remuneration exceeds S\$50,000 in the Group's employment during the financial year under review.

For FY2019, the aggregate total remuneration paid to the key management personnel (who are not the Directors or the CEO) of the Company amounted to S\$1,748,494.

For FY2019, there were no terminations, retirement or post-employment benefits granted to the Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of the Directors and key management personnel in the Annual Report and that the disclosure based on the above remuneration bands is appropriate.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board understands its accountability to shareholders on the Group's position, performance and progress. The annual audited financial statements, full year, half-yearly and quarterly results are presented to its shareholders to provide them with a balanced and understandable analysis and explanation of the Group's financial performance and position and prospects. The Management is accountable to the Board by providing the Board with the necessary financial information for the discharge of its duties.

In line with the Rules of Catalist of the SGX-ST, the Board provides a negative confirmation statement pursuant to Rule 705(5) to the shareholders in respect of the interim financial statements.

The Management is accountable to the Board and maintains regular contact and communication with the Board including preparing and circulating to the Board the quarterly and full year financial statements of the Group. These enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

REPORT OF CORPORATE GOVERNANCE

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises its responsibilities over the governance of risks and has set in place management procedures for ensuring a sound system of risk management and internal controls. These procedures include introducing a structured Enterprise Risk Management (“ERM”), management reviews of key transactions, and the assistance of independent consultants such as the Group’s external and internal auditor to review financial statements and internal controls covering key risk areas.

The Group has started implementing an ERM programme in stages which cover the following areas:

- **Structured ERM Reporting Processes**

An overall framework for risk management has been documented in a manual to be disseminated to personnel responsible for oversight of risks and operations of risk countermeasures. This ERM manual includes the terms of reference of the various personnel and committee responsible for monitoring and managing risks in the Group. The ERM process also requires ongoing identification of key risks to the company. Risk workshops attended by key management personnel were conducted to provide a structured approach of identification and assessment of risks.

- **Risk Appetite of the Group**

The Group relies on Management to monitor day to day operations while subjecting key corporate decisions, such as investments or acquisitions of businesses to Board approval. The Group’s performance is monitored closely by the Board periodically and any significant matters that might have an impact on the operating results are required to be brought to the immediate attention of the Board.

The Group has also taken a strict stance towards avoiding any risks that might result in breaching relevant laws and regulations and risks that could adversely affect the reputation of the Group. Active efforts are also in place to manage risks within impact such as transferring them to third party insurers or having internal control procedures to better mitigate the likelihood of their occurrence. Internal audits will be regularly conducted to assess the ongoing compliance with the established controls to address key risk areas where applicable.

- **Risk Assessment and Monitoring**

Based on the ERM framework, the nature and extent of risks to the Group will be assessed regularly by key management personnel and risk reports covering top risks to the Group will be submitted to the AC at least on a half yearly basis. A set of risk registers to document risks arising from this ERM exercise has also been established to document all key risks and the corresponding countermeasures will be updated whenever new risks emerge or when there are applicable changes in the business environment.

REPORT OF CORPORATE GOVERNANCE

In addition to the above ERM reports, the Board has also received assurance from the CEO and the Chief Financial Officer that:

- (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (ii) the Company's risk management and internal control systems are effective.

Assessment of the Adequacy of Internal Controls

The Board, with the concurrence of AC, is of the opinion that, the system of internal controls and risk management maintained by Management throughout the FY2019 is adequate and effective to address the financial, operational, compliance and information technology risks.

The Board and AC are of the opinion that, the Company's internal controls including financial, operational, compliance, and informational technology controls, and risk management systems were adequate and effective based on:

- the internal controls established and maintained by the Group;
- reports issued by the internal auditor and external auditor;
- risk reports arising from the ERM exercise;
- regular reviews performed by the Management, and annual review undertaken by AC and the Board; and
- confirmation by the Management.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three (3) Independent Directors as follows:

Audit Committee

Mr. Loy Soo Chew (Chairman)
Mr. Wong Quee Quee, Jeffrey
Mr. Andrew Chua Thiam Chwee

The Company has adopted the written terms of reference clearly setting out the roles and responsibilities of the AC.

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The AC schedules a minimum of four (4) meetings in each financial year. The meetings are held, *inter alia*, for the following purposes:

- reviewing the announcement of the quarterly, half-year and full-year results and the financial statements of the Group;
- reviewing the audit plans and reports of the external auditor and considering the effectiveness of the actions taken by Management on the auditor's recommendations;
- appraising and reporting to the Board on the audits undertaken by the external auditor, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls;
- reviewing the assistance and co-operation given by Management to the external auditor;
- discussing problems and concerns, if any, arising from the external audits;
- nominating external auditor for re-appointment;
- reviewing interested person transactions, as defined in the Rules of Catalist of the SGX-ST; and
- reviewing the effectiveness of the Company's material internal controls.

Mr. Ho Ying Ming has been practising as an advocate and solicitor and is currently a Partner of Shook Lin & Bok LLP, a law firm in Singapore. Mr. Andrew Chua Thiam Chwee is the Managing Director of SME Care Pte Ltd since January 2010. Mr. Loy Soo Chew is the Lead Independent Director of Advancer Global Limited since 2016. Mr. Wong Quee Quee, Jeffrey is the Chief Executive Officer of SooChow CSSD Capital Markets (Asia) Pte. Ltd. since 2018 and Independent Director of Procurri Group Limited since 2016. The Board is of the view that the members of the AC are appropriately qualified, having the necessary experience and expertise required to discharge their responsibilities.

In addition, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation, which has or is likely to have a material impact on the Company's operating results or financial position, and to review the findings thereof. The AC has also conducted reviews of interested person transactions.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditor and approves the remuneration of the external auditor. The AC has recommended to the Board that Ernst & Young LLP be nominated for the re-appointment as the external auditor of the Company at the forthcoming AGM. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

The AC will meet with the external auditor and internal auditor, without the presence of the Management, as and when necessary, to review the adequacy of audit arrangements, with emphasis on the scope and quality of its audit and the independence, objectivity and observations of the external auditor.

REPORT OF CORPORATE GOVERNANCE

Annually, the AC meets with the external auditor and internal auditor without the presence of the Management and conducts a review of all non-audit services provided by the external auditor to the Group, and is satisfied that the nature and extent of such services do not affect the independence and objectivity of the external auditor. Fees paid or payable by the Company to the external auditor for non-audit services and audit services for FY2019 amounted to S\$33,000 and S\$198,000 respectively.

In the review of the financial statements for FY2019, the AC had discussed with Management and the external auditor on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". In assessing the Key Audit Matters, the AC took into consideration the approach, methodology and the key assumptions applied in the review of the Key Audit Matters as provided in the Independent Auditor's Report. The AC concluded that Management's accounting treatment and estimates in the Key Audit Matters were appropriate.

The Company is in compliance with Rules 712 and 715 of the Rules of Catalist of the SGX-ST in relation to the engagement of its external auditor.

The Group has implemented a whistle-blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

- (i) independent investigations are carried out in an appropriate and timely manner;
- (ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
- (iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

As of the date of this Annual Report, there were no reports received through the whistle-blowing mechanism.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditor.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has appointed BDO LLP ("BDO") as its outsourced internal auditor. BDO assists the Company in reviewing the adequacy and effectiveness of the Company's internal controls based on an annual internal audit plan that covers applicable financial, operational, compliance, information technology controls and risk management system. As part of the internal audits, they also provide recommendations to the AC to address any weaknesses in its internal controls.

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BDO reports primarily to the AC on internal audit matters. The AC reviews and approves the hiring, removal and evaluates its outsourced internal auditor. The AC also reviews and approves the annual internal audit plans and resources to ensure that BDO has the necessary resources to adequately perform its functions and has appropriate standing within the Company. The AC also meets with the internal auditor without the presence of the Management.

BDO performs annual internal audit planning in consultation with, but independent of the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the internal auditor may be involved in ad hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns.

BDO is provided with unfettered access to the Group's properties, information and records and performs their reviews in accordance with the BDO Global IA methodology which is consistent with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditor. As the Company's outsourced internal auditor, BDO is required to provide staff with relevant qualifications, adequate expertise and experience to conduct the internal audits.

The AC also reviews, at least annually, the adequacy and effectiveness of the internal audit function including the qualifications and experience of the internal audit staff assigned to perform the reviews.

(D) COMMUNICATION WITH SHAREHOLDERS

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the continuous disclosure obligations of the Company and pursuant to the provisions of the Rules of Catalist of the SGX-ST and the Securities and Futures Act, Chapter 289 of Singapore, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of general meetings through the announcement released to the SGXNet and notices contained in the Annual Report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint such number of proxies as required to vote on his/her behalf at the general meeting through proxy forms sent in advance. The shareholders are also informed on the voting procedures at the general meetings.

Although the Company's Constitution does not include the nominee or custodial services to appoint more than two proxies, the legislation has been amended on 3 January 2016, among other things, to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

REPORT OF CORPORATE GOVERNANCE

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its shareholders, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual reports includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Companies Act, Chapter 50 of Singapore and Singapore Financial Reporting Standards;
- quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and
- notices of explanatory memoranda for AGMs and Extraordinary General Meetings (“EGMs”). The notices of AGM and EGM are also advertised in a national newspaper.

The Company’s website is <http://www.gke.com.sg/> at which shareholders can access financial information, corporate announcements, press releases, Annual Reports and profile of the Group.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNet, before the Company meets with any group of investors or analysts. All shareholders of the Company will receive the Company’s annual report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four (4) months after the close of the financial year.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group’s profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend was paid or proposed for FY2019 as the Company deemed it is prudent to retain cash resources for its business needs.

REPORT OF CORPORATE GOVERNANCE

Conduct of Shareholder Meeting

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting is dispatched to shareholder, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings. The Company will make available minutes of general meetings to shareholders upon their request.

The Chairman of the Board Committees are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. Furthermore, the external auditor is present to assist the Board in addressing any relevant queries raised by the shareholders.

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Rules of Catalist of the SGX-ST and the Code, all resolutions at the Company's general meetings held on or after 1 August 2015, if any, are put to vote by poll. The Company had adopted electronic poll for all the resolutions voted since the AGM held in FY2017. The detailed results of each resolution are announced via SGXNet after the general meetings.

(E) DEALINGS IN SECURITIES

In compliance with Rule 1204(19) of the Rules of Catalist of the SGX-ST, the Company has adopted policies to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the Company's full-year financial results, and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and they are not to deal in the Company's securities on short-term considerations.

REPORT OF CORPORATE GOVERNANCE

(F) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company and its minority shareholders.

The Company does not have any shareholders' mandate for interested person transactions.

(G) MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1204(8) of the Rules of Catalist of the SGX-ST, the Company confirms that, except as disclosed in the Directors' Report and financial statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

(H) RISK MANAGEMENT

The Group has strategies for the management of financial risks which have been reviewed by the external auditor. The issues are outlined in Note 32 of the financial statements.

(I) CATALIST SPONSOR

The Company is currently under the SGX-ST Catalist sponsor-supervised regime and the continuing sponsor of the Company is RHT Capital Pte. Ltd.. No non-sponsor fee was paid to the sponsor in FY2019.

REPORT OF CORPORATE GOVERNANCE

Information for the Directors who are retiring and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to Rule 720(5) of the Listing Manual of the SGX-ST:

Details	Name of Director			
	Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
Date of Appointment	30 September 2015	30 September 2015	15 April 2019	15 April 2019
Date of last re-appointment (if applicable)	28 September 2016	28 September 2016	–	–
Age	67	42	44	52
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr. Andrew Chua is able to exercise judgment as an Independent Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr. Andrew Chua to be independent for the purpose of Rule 704(6) of the Catalyst Rules.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr. Ho is able to exercise judgment as an Independent Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr. Ho to be independent for the purpose of Rule 704(6) of the Catalyst Rules.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr. Jeffrey Wong is able to exercise judgment as an Independent Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr. Jeffrey Wong to be independent for the purpose of Rule 704(6) of the Catalyst Rules.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr. Loy is able to exercise judgment as an Independent Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr. Loy to be independent for the purpose of Rule 704(6) of the Catalyst Rules.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Nominating Committee Chairman and Audit Committee Member	Remuneration Committee Chairman and Nominating Committee Member	Audit Committee, Nominating Committee and Remuneration Committee Member	Lead Independent Director, Audit Committee Chairman and Remuneration Committee Member

REPORT OF CORPORATE GOVERNANCE

Details	Name of Director			
	Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
Professional qualifications	Bachelor of Business Administration	Bachelor of Laws	• HKSI Licensing Examination for Securities and Futures Intermediaries Paper 1 from Hong Kong Securities Institute • HKSI Licensing Examination for Securities and Futures Intermediaries Paper 2 from Hong Kong Securities Institute • CMFAS Module 4A (Rules and Regulations for Advising on Corporate Finance) from the Institute of Banking and Finance Singapore • CMFAS Module 1B (Rules & Regulations for Dealing in Securities (Non-SGX-ST Members)) from the Institute of Banking and Finance Singapore • CMFAS Module 6 (Securities Products & Analysis) from the Institute of Banking and Finance Singapore	• Master of Business Administration from University of Leeds (Correspondence Study) in year 2000 • Associate of the Australian Society of Certified Practising Accountants from Australian Society of Certified Practising Accountants in year 1997 • Bachelor of Business (Major in Professional Accounting) from University of Southern Queensland (External degree) in year 1996 • Diploma in Business Studies (Major in Company Law and Taxation) from Ngee Ann Polytechnic Singapore in year 1988

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Details	Name of Director			
	Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
Professional qualifications (2)			- Solicitor of the Supreme Court of England and Wales - Advocate and Solicitor of the Supreme Court of Singapore - Bachelor of Laws (Honours) (Second Class Upper) from National University of Singapore	
Working experience and occupation(s) during the past 10 years	- January 2009 to December 2009: Credit Matters Pte Ltd, Managing Director - January 2010 to Present: SME Care Pte Ltd, Managing Director	- Year 2005 to 2010: Morrison & Foerster LLP - Year 2010 to 2011: Wong Partnership LLP - Year 2011 to Present: Shook Lin & Bok LLP, Partner	- November 2004 to September 2009: - UBS AG, Singapore branch, Associate Director, Director and subsequently Executive Director, Transactions Legal - October 2009 to July 2010: - UBS AG, Singapore branch, Executive Director, Equity Capital Markets	- Year 2009 to Year 2014: Executive Director cum General Manager of Kian Ann Engineering Pte Ltd - Year 2014 to current: Group Managing Director of Kian Ann Engineering Pte Ltd

REPORT OF CORPORATE GOVERNANCE

Details	Name of Director			
	Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
Working experience and occupation(s) during the past 10 years (2)			- July 2010 to December 2011: - Religare Capital Markets Corporate Finance Pte. Limited, Chief Operating Officer, Investment Banking - November 2011 to November 2012: - Religare Capital Markets Corporate Finance Pte. Limited, Chief Operating Officer - November 2012 to November 2014: - Religare Capital Markets Corporate Finance Pte. Limited, Managing Director, Investment Banking - November 2014 to November 2017: - Religare Capital Markets Corporate Finance Pte. Limited, Head of Investment Banking	

REPORT OF CORPORATE GOVERNANCE

Details	Name of Director			
	Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
Working experience and occupation(s) during the past 10 years (3)			- December 2017 to April 2018: - SooChow CSSD Capital Markets (Asia) Pte. Ltd., Head of Investment Banking - April 2018 to current: - SooChow CSSD Capital Markets (Asia) Pte. Ltd., Chief Executive Officer	
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

REPORT OF CORPORATE GOVERNANCE

Details	Name of Director			
	Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
Other Principal Commitments Including Directorships	<u>Past (for the last 5 years)</u> <u>Present</u> Managing Director of SME Care Pte Ltd	<u>Past (for the last 5 years)</u> <u>Present</u> Partner of Shook Lin & Bok LLP	<u>Past (for the last 5 years)</u> - Year 2012 to Year 2016: Bartleet Wealth Management (Private) Limited (f.k.a. Religare Bartleet Capital Markets (Private) Limited), Non-Executive Director - Year 2015 to Year 2015: Religare Capital Markets (Hong Kong) Limited, Non-Executive Director - Year 2010 to Year 2017: Religare Capital Markets Corporate Finance Pte. Limited (f.k.a. Religare Capital Markets Advisers Pte. Limited), Executive Director 2 May 2017 to 12 December 2017: Libra Group Limited, Lead Independent Director, Chairman of the Audit Committee and member of the Nominating Committee and the Remuneration Committee	<u>Past (for the last 5 years)</u> - AfriAsian Trading Pte Ltd <u>Present:</u> - Kian Ann Engineering Trading (Shanghai) Co Ltd - Kian Chue Hwa (industries) Pte Ltd - PT Haneagle Heavyparts Indonesia (Commissioner) - Kian Ann Engineering Pte Ltd - Kian Ann Investment Pte Ltd - PT Allegiance Primaparts Indonesia (Commissioner) - Kian Ann Districentre Ptd Ltd - Invicta Asian Holdings Pte Ltd - AT Group Holdings Co Ltd - AT Truck & Bus Parts Co Ltd - Steve Woods Ltd - North American Tractor and Excavator Parts Inc - Allegiance Parts and Services Singapore Pte Ltd

REPORT OF CORPORATE GOVERNANCE

Details	Name of Director			
	Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
Other Principal Commitments Including Directorships (2)			Present: Year 2016: Procurri Group Limited Independent Director, Chairman of the Nominating Committee and member of the Audit Committee and the Remuneration Committee Year 2018: SooChow CSSD Capital Markets (Asia) Pte. Ltd. (f.k.a. SooChow Securities Capital Markets (SEA) Private Limited), Executive Director and Chief Executive Officer Year 2018: Sunstone Capital Markets Pte. Ltd., Non-Executive Director Year 2017: Member of Management Corporation Strata title 3682 Year 2013: Solum Capital Limited, Non-Executive Director Year 2013 The Cub SG Pte. Ltd. (f.k.a. Legalit Pte. Ltd.), Non-Executive Director	- Allegiance Parts (Malaysia) Sdn Bhd - SKL Equipment Private Limited - Advancer Global Limited - Modesty Investment Holding Pte Ltd

REPORT OF CORPORATE GOVERNANCE

Details		Name of Director			
		Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
The general statutory disclosures of the Directors are as follows:					
a.	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No

REPORT OF CORPORATE GOVERNANCE

Details		Name of Director			
		Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
b.	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
c.	Whether there is any unsatisfied judgment against him?	No	No	No	No

REPORT OF CORPORATE GOVERNANCE

Details		Name of Director			
		Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
d.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
e.	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No

REPORT OF CORPORATE GOVERNANCE

Details		Name of Director			
		Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
f.	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
g.	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No

REPORT OF CORPORATE GOVERNANCE

Details		Name of Director			
		Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
h.	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
i.	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
j.	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—				
i.	any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No

REPORT OF CORPORATE GOVERNANCE

Details		Name of Director			
		Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No

REPORT OF CORPORATE GOVERNANCE

Details		Name of Director			
		Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
iv.	any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	Yes Mr. Wong Quee Quee, Jeffrey was an executive board director of Religare Capital Markets Corporate Finance Pte. Limited ("RCMCF") between December 2010 and November 2017. In July 2016, RCMCF received a supervisory reminder from the Monetary Authority of Singapore (the "Authority") informing RCMCF in respect of its breach of Regulation 6(1)(a) of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations ("SF(FRM)R"), which required the holder of the capital markets services licence granted under the Singapore Securities and Futures Act to ensure that its financial resources do not fall below its total risk requirement. In July 2017, the Authority discovered another breach of the SF(FRM)R by RCMCF. After his resignation as executive director of RCMCF in November 2017, he was informed by RCMCF that the Authority had, in February 2018, issued another supervisory reminder to remind RCMCF to ensure compliance with all applicable regulations at all time.	No

REPORT OF CORPORATE GOVERNANCE

Details		Name of Director			
		Andrew Chua Thiam Chwee	Ho Ying Ming	Wong Quee Quee, Jeffrey	Loy Soo Chew
k.	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No
Information required					
Disclosure applicable to the appointment of Director only.					
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes	Yes	
If yes, please provide details of prior experience.	- Lum Chang Holdings Limited - GKE Corporation Limited	GKE Corporation Limited	- Procurri Group Limited - Libra Group Limited - GKE Corporation Limited	- Advancer Global Limited - Kian Ann Engineering Ltd - GKE Corporation Limited	
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.					

REPORT OF CORPORATE GOVERNANCE

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr. Chen Yong Hua	Executive Chairman and Executive Director	Board Member	Nil	Nil
Mr. Neo Cheow Hui	Chief Executive Officer and Executive Director	Board Member	Nil	Nil
Ms. Qian Wen Hua	Executive Director	Board Member	Nil	Nil
Mr. Andrew Chua Thiam Chwee	Independent Director	Board Member, Chairman of Nominating Committee and Member of Audit Committee	Lum Chang Holdings Limited	Transcorp Holdings Limited
Mr. Ho Ying Ming	Independent Director	Board Member, Chairman of Remuneration Committee and Member of Nominating Committee	Partner of Shook Lin & Bok LLP	Nil
Mr. Loy Soo Chew	Lead Independent Director	Board Member, Chairman of Audit Committee and Member of Remuneration Committee	- Advancer Global Limited - Kian Ann Engineering Ltd. (delisted)	Nil
Mr. Wong Quee Quee, Jeffrey	Independent Director	Board Member, Member of Audit Committee, Nominating Member and Remuneration Member	- Libra Group Limited - Procurri Group Limited	Nil

DIRECTORS' STATEMENT

The Directors hereby present their statement to the members together with the audited consolidated financial statements of GKE Corporation Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 May 2019.

Opinion of the Directors

In the opinion of the Directors,

- (i) the consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The Directors of the Company in office at the date of this statement are:

Chen Yong Hua	(Executive Chairman and Executive Director)
Neo Cheow Hui	(Chief Executive Officer and Executive Director)
Qian Wen Hua	(Executive Director)
Loy Soo Chew	(Lead Independent Director)
Ho Ying Ming	(Independent Director)
Andrew Chua Thiam Chwee	(Independent Director)
Wong Quee Quee, Jeffrey	(Independent Director)

In accordance with Regulation 107 and 117 of the Company's Constitution, the following Directors would be retiring and being eligible, offer themselves for re-election at the forthcoming AGM for the financial year ended 31 May 2019:

Regulation 107

Ho Ying Ming
Andrew Chua Thiam Chwee

Regulation 117

Loy Soo Chew
Wong Quee Quee, Jeffrey

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year/date of appointment	At the end of financial year	At the beginning of financial year/date of appointment	At the end of financial year
<i>Ordinary shares of the Company</i>				
Chen Yong Hua	67,200,000	17,200,000	–	50,000,000
Neo Cheow Hui	27,445,300	27,445,300	500,000	500,000
Qian Wen Hua	56,760,000	56,760,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 June 2019.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

Options

During the financial year, no options to take up unissued shares of the Company or any subsidiary were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary. There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

Audit Committee

The audit committee (“AC”) carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly, half year and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the external and internal auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Neo Cheow Hui
Director

Qian Wen Hua
Director

Singapore
28 August 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 May 2019

Independent auditor's report to the members of GKE Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GKE Corporation Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), which comprise the balance sheets of the Group and the Company as at 31 May 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) in Singapore (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 May 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (the “SSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (the “ACRA”) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the “ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 May 2019

Independent auditor's report to the members of GKE Corporation Limited

Key Audit Matters (cont'd)

Impairment assessment on goodwill

The Group recorded goodwill of \$1,315,000 from the acquisition of Marquis Services Pte Ltd on 15 December 2015 and \$4,340,000 from the acquisition of TNS Ocean Lines (S) Pte Ltd on 30 November 2016. The Group allocated the goodwill to the cash generating units ("CGUs") for impairment testing as disclosed in Note 12 to the financial statements. The impairment test is a key audit matter due to the significant judgments and assumptions made by management in determining the recoverable amount of the CGUs. The key assumptions include forecasted revenue growth rates, discount rates and long term growth rates which are affected by uncertainties around future market or economic conditions.

Following management's assessment, the Group recognized an impairment charge to goodwill allocated to TNS Ocean Lines (S) Pte Ltd during the financial year amounting to \$1,912,000, which resulted in the carrying amount of goodwill being reduced to \$2,428,000 as at 31 May 2019.

We assessed the reasonableness of the key assumptions used such as long term growth rate and discount rate by comparing with external data, and historical performance of the CGUs in relation to other key inputs used such as revenue growth and gross margin assumptions. We involved our internal specialist to assist us in evaluating the reasonableness of the method and certain key assumptions used in the determination of the recoverable amount of the CGUs. We also tested management's sensitivity analysis around the key assumptions used and considered the outcomes of management's assessment. Furthermore, we assessed the adequacy of the disclosures in Note 12 to the financial statements concerning goodwill.

Other Information

Management is responsible for the other information. The other information comprises information included in the Annual Report 2019, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 May 2019

Independent auditor's report to the members of GKE Corporation Limited

Key Audit Matters (cont'd)

Responsibilities of Management and Directors for the Financial Statements (cont'd)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 May 2019

Independent auditor's report to the members of GKE Corporation Limited

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ling Soon Hwa.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 August 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 May 2019

	Note	2019 \$'000	2018 \$'000 (Restated)
Revenue	4	88,244	71,464
Cost of sales		(72,954)	(57,785)
Gross profit		15,290	13,679
Other income	5	3,706	1,618
Expenses			
Marketing and distribution costs		(299)	(250)
Administrative expenses		(15,580)	(13,654)
Finance costs	6	(2,579)	(1,945)
Other expenses		(206)	–
Share of results of associates		(154)	(337)
Profit/(loss) before tax from continuing operations		178	(889)
Tax expense	8	(2,106)	(963)
Loss from continuing operations, net of tax		(1,928)	(1,852)
Discontinued operation			
Loss from discontinued operation, net of tax	37	–	(7,474)
Loss for the year		(1,928)	(9,326)
Loss attributable to:			
<u>Owners of the Company</u>			
- Loss from continuing operations, net of tax		(2,134)	(2,282)
- Loss from discontinued operation, net of tax		–	(7,474)
Loss for the year attributable to owners of the Company		(2,134)	(9,756)
<u>Non-controlling interests</u>			
- Profit from continuing operations, net of tax		206	430
- Loss from discontinued operation, net of tax		–	–
Profit for the year attributable to non-controlling interests		206	430
Loss per share (cents per share) from continuing operations attributable to owners of the Company			
- Basic and diluted (cents per share)	9(a)	(0.31)	(0.33)
Loss per share (cents per share)			
- Basic and diluted (cents per share)	9(b)	(0.31)	(1.42)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 May 2019

	2019 \$'000	2018 \$'000 (Restated)
Loss for the year	(1,928)	(9,326)
<u>Other comprehensive income</u>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value loss on available-for-sale investments	–	(72)
Foreign currency translation	(775)	237
Share of foreign currency translation of associates	(67)	24
Other comprehensive income for the year, net of tax	(842)	189
Total comprehensive income for the year	(2,770)	(9,137)
Attributable to:		
Owners of the Company	(2,823)	(9,677)
Non-controlling interests	53	540
Total comprehensive income for the year	(2,770)	(9,137)
Attributable to:		
<u>Owners of the Company</u>		
- Total comprehensive income from continuing operations, net of tax	(2,823)	(2,203)
- Total comprehensive income from discontinued operation, net of tax	–	(7,474)
Total comprehensive income for the year attributable to owners of the Company	(2,823)	(9,677)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 May 2019

			Group		Company		
	Note	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
			(Restated)	(Restated)			
ASSETS							
Non-current assets							
Property, plant and equipment	10	114,845	122,696	107,127	88	142	156
Land use rights	11	4,480	4,794	4,745	–	–	–
Intangible assets	12	4,836	7,480	8,727	–	–	–
Investments in subsidiaries	13	–	–	–	47,959	51,959	59,560
Investments in associates	14	14	2,505	2,818	–	3,189	3,189
Investments in joint ventures	15	–	–	9,228	–	–	–
Financial assets at fair value through profit or loss	16	285	–	–	285	–	–
Available-for-sale investments	17	–	640	697	–	640	697
Other receivables	19	–	–	–	4,202	5,150	4,866
Prepayments	18	1,040	–	–	–	–	–
Total non-current assets		125,500	138,115	133,342	52,534	61,080	68,468
Current assets							
Inventories	20	395	469	253	–	–	–
Trade and other receivables	19	31,471	22,770	19,116	10,293	13,321	12,361
Prepaid operating expenses		986	550	713	143	24	25
Cash and short-term deposit	21	11,661	14,820	12,762	2,988	123	528
Total current assets		44,513	38,609	32,844	13,424	13,468	12,914
Total assets		170,013	176,724	166,186	65,958	74,548	81,382
EQUITY AND LIABILITIES							
Equity							
Share capital	22	78,165	78,165	78,165	78,165	78,165	78,165
Treasury shares	23	(672)	(672)	(1,216)	(672)	(672)	(1,216)
(Accumulated losses)/ retained earnings		(9,208)	(7,148)	2,608	(30,341)	(24,774)	(17,066)
Other reserves	24	534	1,297	1,227	(97)	201	282
Equity attributable to owners of the Company		68,819	71,642	80,784	47,055	52,920	60,165
Non-controlling interests		4,933	5,240	4,910	–	–	–
Total equity		73,752	76,882	85,694	47,055	52,920	60,165
Net current assets/(liabilities)		14,165	(1,332)	6,780	(5,477)	(8,136)	(8,259)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 May 2019

	Note	Group			Company		
		31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
			(Restated)	(Restated)			
Non-current liabilities							
Other liabilities	25	3,032	4,317	2,068	–	–	–
Borrowings	26	59,995	52,911	49,323	–	–	–
Deferred tax liabilities	27	433	449	646	–	–	–
Finance lease liabilities	28	2,453	2,224	2,391	2	24	44
Total non-current liabilities		65,913	59,901	54,428	2	24	44
Current liabilities							
Trade and other payables	29	13,897	8,409	7,594	17,906	19,148	18,777
Other liabilities	25	5,136	7,399	6,829	973	2,436	2,376
Borrowings	26	9,295	21,876	7,655	–	–	–
Finance lease liabilities	28	1,194	1,386	1,772	22	20	20
Tax payable		826	871	2,214	–	–	–
Total current liabilities		30,348	39,941	26,064	18,901	21,604	21,173
Total liabilities		96,261	99,842	80,492	18,903	21,628	21,217
Total equity and liabilities		170,013	176,724	166,186	65,958	74,548	81,382

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 May 2019

Attributable to owners of the Company													
2019 Group	Note	Share capital \$'000	Treasury shares \$'000	Accumulated losses \$'000	Other reserves, total \$'000	Attributable to owners of the Company					Total equity attributable to owners		
						Fair value reserve \$'000	Translation reserve \$'000	Statutory reserve \$'000	Revaluation reserve \$'000	Capital reserve \$'000	Company \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance as at 31 May 2018, previously reported													
		78,165	(672)	(11,261)	16,490	298	1,073	-	15,216	(97)	82,722	5,543	88,265
Effects of adopting SFRS (I)													
		-	-	4,113	(15,193)	-	23	-	(15,216)	-	(11,080)	(303)	(11,383)
Balance at 31 May 2018, restated													
		78,165	(672)	(7,148)	1,297	298	1,096	-	-	(97)	71,642	5,240	76,882
Effect of adopting SFRS (I) 9													
		-	-	298	(298)	(298)	-	-	-	-	-	-	-
Balance at 1 June 2018													
		78,165	(672)	(6,850)	999	-	1,096	-	-	(97)	71,642	5,240	76,882
(Loss)/profit for the year													
		-	-	(2,134)	-	-	-	-	-	-	(2,134)	206	(1,928)
Other comprehensive income:													
		-	-	-	(622)	-	(622)	-	-	-	(622)	(153)	(775)
- Foreign currency translation													
		-	-	-	(67)	-	(67)	-	-	-	(67)	-	(67)
- Share of foreign currency translation of associates													
Other comprehensive income for the year, net of tax													
		-	-	-	(689)	-	(689)	-	-	-	(689)	(153)	(842)
Total comprehensive income for the year													
		-	-	(2,134)	(689)	-	(689)	-	-	-	(2,823)	53	(2,770)
Contributions by and distributions to owners:													
		-	-	-	-	-	-	-	-	-	-	(360)	(360)
- Dividends paid on ordinary shares													
Total contributions by and distributions to owners													
		-	-	-	-	-	-	-	-	-	-	(360)	(360)
Total transactions with owners in their capacity as owners													
		-	-	-	-	-	-	-	-	-	-	(360)	(360)
Others													
		-	-	(224)	224	-	-	224	-	-	-	-	-
Transfer to statutory reserve													
		78,165	(672)	(9,208)	534	-	407	224	-	(97)	68,819	4,933	73,752
Closing balance at 31 May 2019													

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

For the financial year ended 31 May 2019

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 May 2019

2019 Company	Note	Share capital \$'000	Treasury shares \$'000	Accumulated losses \$'000	Fair value reserve \$'000	Capital reserve \$'000	Total equity \$'000
Balance as at 31 May 2018, previously reported		78,165	(672)	(24,774)	298	(97)	52,920
Effect of adopting SFRS (I) 9		–	–	298	(298)	–	–
Balance as at 1 June 2018, restated		78,165	(672)	(24,476)	–	(97)	52,920
Loss for the year, representing total comprehensive income for the year		–	–	(5,865)	–	–	(5,865)
Closing balance at 31 May 2019		78,165	(672)	(30,341)	–	(97)	47,055

2018 Company	Note	Share capital \$'000	Treasury shares \$'000	Accumulated losses \$'000	Fair value reserve \$'000	Capital reserve \$'000	Total equity \$'000
Opening balance at 1 June 2017		78,165	(1,216)	(17,066)	370	(88)	60,165
Loss for the year		–	–	(7,708)	–	–	(7,708)
Other comprehensive income:							
- Fair value loss on available-for-sale investments		–	–	–	(72)	–	(72)
Other comprehensive income for the year, net of tax		–	–	–	(72)	–	(72)
Total comprehensive income for the year		–	–	(7,708)	(72)	–	(7,780)
<u>Contributions by and distributions to owners</u>							
- Treasury shares reissued	23	–	544	–	–	(9)	535
Total contributions by and distributions to owners		–	544	–	–	(9)	535
Closing balance at 31 May 2018		78,165	(672)	(24,774)	298	(97)	52,920

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 May 2019

	Note	2019 \$'000	2018 \$'000 (Restated)
Cash flows from operating activities:			
Profit/(loss) before tax from continuing operations		178	(889)
Loss before tax from discontinued operation		–	(7,474)
Profit/(loss) before tax, total		178	(8,363)
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	10	8,951	6,453
Amortisation of land use rights	11	104	107
Amortisation of intangible assets – customer relationships	12	732	1,247
Gain on disposal of investment in associate	5	(538)	–
Gain on disposal of property, plant and equipment	5	(9)	(203)
Impairment loss on goodwill	12	1,912	–
Fair value gain on contingent consideration	5	(1,983)	(315)
Allowance for doubtful trade receivables	7	16	8
Loss on disposal of investment in joint venture	37	–	4,823
Bad debts charged	7	–	6
Fair value loss on financial assets	16	355	–
Impairment of available-for-sale investments	7	–	35
Property, plant and equipment written off	7	227	2
Interest income	5	(48)	(29)
Interest expense	6	2,579	1,945
Share of results of joint venture		–	2,651
Share of results of associates		154	337
Effect of exchange rate changes		290	(340)
Operating cash flows before changes in working capital		12,920	8,364
Changes in working capital:			
Decrease/(increase) in inventories		74	(216)
Increase in trade and other receivables		(6,734)	(3,668)
(Increase)/decrease in prepaid operating expenses		(1,476)	163
Increase in trade and other payables		5,489	815
(Decrease)/increase in other liabilities		(1,954)	2,769
Cash flows from operations		8,319	8,227
Interest received		48	29
Net income tax paid		(2,168)	(2,501)
Net cash flows from operating activities		6,199	5,755

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 May 2019

	Note	2019 \$'000	2018 \$'000 (Restated)
Cash flows from investing activities:			
Capital contribution into investment in associate		(14)	–
Proceeds from disposal of investment in associate		2,821	–
Purchase of available-for-sale investments		–	(50)
Proceeds from disposal of property, plant and equipment		152	458
Proceeds from disposal of investment in joint venture		–	1,451
Purchase of property, plant and equipment (Note A)		(2,323)	(19,329)
Net cash flows generated from/(used in) investing activities		636	(17,470)
Cash flows from financing activities:			
Dividends paid to non-controlling interests		(360)	(210)
Repayment of obligations under finance leases		(1,616)	(1,950)
Interest paid		(2,579)	(1,945)
Proceeds from loans and borrowings		3,388	22,403
Repayment of loans and borrowings		(8,874)	(4,583)
Placement in short-term deposit – pledged		(171)	–
Net cash flows (used in)/generated from financing activities		(10,212)	13,715
Net (decrease)/increase in cash and cash equivalents		(3,377)	2,000
Cash and cash equivalents at 1 June		12,640	10,582
Effect of exchange rate changes on cash and cash equivalents		47	58
Cash and cash equivalents at 31 May	21	9,310	12,640

Note A:

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of \$3,995,000 (2018: \$21,593,000) of which \$1,672,000 (2018: \$1,364,000) were acquired by means of hire purchase arrangements. Cash payments of \$2,323,000 (2018: \$19,329,000) were made to purchase property, plant and equipment.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

1. Corporate information

GKE Corporation Limited (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on Catalist which is a market on Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 39 Benoi Road #06-01 Singapore 627725.

The principal activities of the Company are those of an investment holding company and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”).

For all periods up to and including the year ended 31 May 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (“FRS”). These financial statements for the year ended 31 May 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest thousand (\$'000) as indicated, except when otherwise indicated.

2.2 First-time adoption of SFRS(I)

These financial statements for the year ended 31 May 2019 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 May 2019, together with the comparative period data for the year ended 31 May 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 June 2017, the Group and the Company’s date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- The Group decided to elect the optional exemption SFRS(I) 1 to measure the leasehold land and buildings classified under property, plant and equipment held by the Group at the date of transition to SFRS(I) using the historical cost less accumulated depreciation and impairment. Any amount in asset revaluation reserve and its deferred tax liabilities relating to the leasehold land and buildings has been reversed as at 1 June 2017.
- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 June 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial instruments

On 1 June 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 June 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 Financial instruments (cont'd)

Classification and measurement (cont'd)

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 June 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 June 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For equity securities, the Group elects to measure its currently "available-for-sale investments" (AFS) quoted equity securities at FVPL instead of FVOCI and has been redesignated as "financial assets at fair value through profit or loss". As a result of the change in measurement of the Group's quoted equity securities previously measured at FVOCI to FVPL, the fair value adjustment reserve of \$298,000 related to those investments that were previously presented under the fair value adjustment reserve were transferred to retained earnings as at 1 June 2018.

	Group		
	FRS 39 carrying amounts on 31 May 2018 \$'000	Re- classification \$'000	SFRS(I) 9 carrying amounts on 1 June 2018 \$'000
FVPL	–	–	–
Re-classified from AFS	–	640	640
FVPL balances and re-classifications at 1 June 2018	–	640	640
FVOCI	640	–	640
Re-classified to FVPL	–	(640)	(640)
FVOCI balances and re-classifications at 1 June 2018	640	(640)	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 Financial instruments (cont'd)

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group has assessed that there is no significant impairment to be recognised using the expected credit loss model.

SFRS(I) 15 Revenue from contracts with customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 May 2018. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year will not have been materially different.

The Group is in the business of provision of warehousing and logistics services, as well as the production and sales of cement products. There is no material impact to the Group adopting SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 June 2017 to the balance sheet of the Group. There is no impact on the adoption of SFRS(I) on the balance sheet of the Company.

	1 June 2017 (FRS) \$'000	Group SFRS(I) 1 adjustments \$'000	1 June 2017 (SFRS(I)) \$'000
Non-current assets			
Property, plant and equipment	111,053	(3,926)	107,127
Land use rights	4,745	–	4,745
Intangible assets	8,727	–	8,727
Investments in associates	2,818	–	2,818
Investments in joint ventures	9,228	–	9,228
Available-for-sale investments	697	–	697
Total non-current assets	137,268	(3,926)	133,342
Current assets			
Inventories	253	–	253
Trade and other receivables	19,116	–	19,116
Prepaid operating expenses	713	–	713
Cash and short-term deposit	12,762	–	12,762
Total current assets	32,844	–	32,844
Total assets	170,112	(3,926)	166,186
Equity			
Share capital	78,165	–	78,165
Treasury shares	(1,216)	–	(1,216)
(Accumulated losses)/retained earnings	(640)	3,248	2,608
Other reserves	6,742	(5,515)	1,227
Equity attributable to owners of the Company	83,051	(2,267)	80,784
Non-controlling interest	5,213	(303)	4,910
Total equity	88,264	(2,570)	85,694

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

	1 June 2017 (FRS) \$'000	Group SFRS(I) 1 adjustments \$'000	1 June 2017 (SFRS(I)) \$'000
Non-current liabilities			
Other liabilities	2,068	–	2,068
Borrowings	49,323	–	49,323
Deferred tax liabilities	2,002	(1,356)	646
Finance lease liabilities	2,391	–	2,391
Total non-current liabilities	55,784	(1,356)	54,428
Current liabilities			
Trade and other payables	7,594	–	7,594
Other liabilities	6,829	–	6,829
Borrowings	7,655	–	7,655
Finance lease liabilities	1,772	–	1,772
Tax payable	2,214	–	2,214
Total current liabilities	26,064	–	26,064
Total liabilities	81,848	(1,356)	80,492
Total equity and liabilities	170,112	(3,926)	166,186

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 May 2018 and 1 June 2018 to the balance sheet of the Group.

	31 May 2018 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	Group 31 May 2018 (SFRS(I)) \$'000	SFRS(I) 9 adjustments \$'000	1 June 2018 (SFRS(I)) \$'000
Non-current assets					
Property, plant and equipment	137,428	(14,732)	122,696	–	122,696
Land use rights	4,794	–	4,794	–	4,794
Intangible assets	7,480	–	7,480	–	7,480
Investments in associates	2,505	–	2,505	–	2,505
Available for sale investment	640	–	640	(640)	–
Financial assets at fair value through profit or loss	–	–	–	640	640
Total non-current assets	152,847	(14,732)	138,115	–	138,115
Current assets					
Inventories	469	–	469	–	469
Trade and other receivables	22,770	–	22,770	–	22,770
Prepaid operating expenses	550	–	550	–	550
Cash and short-term deposit	14,820	–	14,820	–	14,820
Total current assets	38,609	–	38,609	–	38,609
Total assets	191,456	(14,732)	176,724	–	176,724
Equity					
Share capital	78,165	–	78,165	–	78,165
Treasury shares	(672)	–	(672)	–	(672)
Accumulated losses	(11,261)	4,113	(7,148)	298	(6,841)
Other reserves	16,490	(15,193)	1,297	(298)	990
Equity attributable to owners of the Company	82,722	(11,080)	71,642	–	71,642
Non-controlling interest	5,543	(303)	5,240	–	5,240
Total equity	88,265	(11,383)	76,882	–	76,882

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

	31 May 2018 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	Group 31 May 2018 (SFRS(I)) \$'000	SFRS(I) 9 adjustments \$'000	1 June 2018 (SFRS(I)) \$'000
Non-current liabilities					
Other liabilities	4,317	–	4,317	–	4,317
Borrowings	52,911	–	52,911	–	52,911
Deferred tax liabilities	3,798	(3,349)	449	–	449
Finance lease liabilities	2,224	–	2,224	–	2,224
Total non-current liabilities	63,250	(3,349)	59,901	–	59,901
Current liabilities					
Trade and other payables	8,409	–	8,409	–	8,409
Other liabilities	7,399	–	7,399	–	7,399
Borrowings	21,876	–	21,876	–	21,876
Finance lease liabilities	1,386	–	1,386	–	1,386
Tax payable	871	–	871	–	871
Total current liabilities	39,941	–	39,941	–	39,941
Total liabilities	103,191	(3,349)	99,842	–	99,842
Total equity and liabilities	191,456	(14,732)	176,724	–	176,724

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 May 2018 and 1 June 2018 to the balance sheet of the Company.

	31 May 2018 (FRS) \$'000	Company SFRS(I) 9 adjustments \$'000	1 June 2018 (SFRS(I)) \$'000
Non-current assets			
Property, plant and equipment	142	–	142
Investment in subsidiaries	51,959	–	51,959
Investments in associates	3,189	–	3,189
Financial assets at fair value through profit or loss	–	640	640
Available-for-sale investments	640	(640)	–
Other receivables	5,150	–	5,150
Total non-current assets	61,080	–	61,080
Current assets			
Trade and other receivables	13,321	–	13,321
Prepaid operating expenses	24	–	24
Cash and short-term deposit	123	–	123
Total current assets	13,468	–	13,468
Total assets	74,548	–	74,548
Equity			
Share capital	78,165	–	78,165
Treasury shares	(672)	–	(672)
Accumulated losses	(24,774)	298	(24,476)
Other reserves	201	(298)	(97)
Equity attributable to owners of the Company, representing total equity	52,920	–	52,920
Non-current liabilities			
Finance lease Liabilities, representing total non-current liabilities	24	–	24
Current liabilities			
Trade and other payables	19,148	–	19,148
Other liabilities	2,436	–	2,436
Finance lease liabilities	20	–	20
Total current liabilities	21,604	–	21,604
Total liabilities	21,628	–	21,628
Total equity and liabilities	74,548	–	74,548

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
SFRS(I) 16 <i>Leases</i>	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 using the modified retrospective approach with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 June 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:-

- i its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 June 2019; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

SFRS(I) 16 Leases (cont'd)

In addition, the Group plans to elect the following practical expedients:-

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 June 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2020.

On adoption of SFRS(I) 16, the Group expects to recognise an increase in right-of-use assets and lease liabilities for its leases previously classified as operating leases.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill (cont'd)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land, buildings and improvements	–	12 to 50 years
Cement plant and related equipment	–	10 to 49 years
Furniture, fittings and office equipment	–	1 to 5 years
Motor vehicles, trailers and forklifts	–	5 to 10 years
Warehouse equipment	–	2 to 15 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.9 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Customer relationships

Intangible assets acquired in business combinations, such as customer relationships, are amortised on a straight line basis over their finite useful lives of 2 to 7 years.

2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.10 Impairment of non-financial assets (cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

2.12 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.12 *Joint ventures and associates (cont'd)*

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are accounted for at cost less accumulated impairment losses.

2.13 *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investments in joint ventures is set out in Note 2.12.

2.14 *Financial instruments*

(a) ***Financial assets***

Initial recognition and measurement

Financial assets are recognised when, and only when, the entity becomes party to the contractual provisions of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investment in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investment in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group calculate ECLs for trade receivables initially based on the Group's historical observed default rates and adjust based on the forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and a short-term deposit, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.17 **Inventories**

Inventories comprise raw materials and finished goods.

Inventories are stated at the lower of cost and net realisable value. Costs comprises of purchase costs accounted for on a weighted average cost basis. In the case of finished goods, costs also include a proportion of manufacturing overheads based on normal operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 **Government grants**

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to income, the grant is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss, under "Other income".

2.20 **Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.21 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Singapore

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution scheme. The Group makes monthly contributions based on stipulated contribution rates.

People's Republic of China ("PRC")

Subsidiaries incorporated and operating in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' PRC employees.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.22 *Leases*

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.22 Leases (cont'd)

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Non-current assets held-for-sale and discontinued operation

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a “discontinued operation” when the criteria to be classified as held-for-sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated or amortised.

2.24 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue is the amount allocated to the satisfied performance obligation.

(a) Rendering of services

Revenue from services is recognised over time as services are rendered under the terms of the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.24 Revenue (cont'd)

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(e) Sale of goods

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the contractual price. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods.

2.25 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.25 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.26 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.28 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

2. Summary of significant accounting policies (cont'd)

2.28 Contingencies (cont'd)

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

Management is of the opinion that there is no significant judgment made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of goodwill

As disclosed in Note 12 to the financial statements, the recoverable amounts of the cash generating units, which goodwill has been allocated to, are determined based on value in use calculations. The value in use calculations are based on discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 12 to the financial statements.

As a result of the less than satisfactory performance during the financial year of TNS Ocean Lines (S) Pte Ltd due to the challenging operating environment, the Group has recognised an impairment charge during the financial year of \$1,912,000, which resulted in the carrying amount of goodwill being reduced to \$3,743,000 as at 31 May 2019 (2018: \$5,655,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

4. Revenue

	Group	
	2019	2018
	\$'000	\$'000
Major product or service lines		
Sale of goods	25,663	19,617
Services rendered	40,268	34,858
Rental income	22,313	16,989
	88,244	71,464
Timing of transfer of goods or services		
At a point in time	25,663	19,617
Over time	62,581	51,847
	88,244	71,464

5. Other income

	Group	
	2019	2018
	\$'000	\$'000
Fair value gain on contingent consideration	1,983	315
Gain on disposal of investment in associate	538	–
Gain on disposal of property, plant and equipment	9	203
Grant received from government	365	654
Interest income	48	29
Net foreign exchange gain	–	152
Rental income	130	43
Service charges	219	186
Others	414	36
	3,706	1,618

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

6. Finance costs

	Group	
	2019	2018
	\$'000	\$'000
Interest expense on:		
- Bank loans	2,374	1,745
- Obligations under finance leases	133	169
- Loan from non-controlling interests	35	31
- Others	37	-
Total finance costs	<u>2,579</u>	<u>1,945</u>

7. Loss before tax

The following items have been included in arriving at loss before tax from continuing operations:

	Group	
	2019	2018
	\$'000	\$'000
		(Restated)
Audit fees paid to:		
- Auditors of the Company	179	179
- Affiliates of auditors of the Company	19	20
- Other auditors	-	1
Non-audit fees paid to:		
- Auditors of the Company	33	37
Amortisation of land use rights	104	107
Amortisation of intangible assets – customer relationships	732	1,247
Net foreign exchange loss/(gain)	206	(152)
Fair value gain on contingent consideration on business combination	(1,983)	(315)
Allowance for doubtful trade receivables	16	8
Bad debts charged	-	6
Depreciation of property, plant and equipment	8,951	6,453
Employee benefits expense (including Directors)		
- Salaries and related cost	26,799	23,495
- Contribution to defined contribution plans	2,308	2,194
Fair value loss on financial assets	355	-
Impairment of available-for-sale investments	-	35
Operating lease expense	7,407	7,111
Legal and professional fee	327	387
Property, plant and equipment written off	<u>227</u>	<u>2</u>

Employee benefits expense includes the remuneration of Directors and key management personnel as set out in Note 35(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

8. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 May 2019 and 2018 are:

	Group	
	2019	2018
	\$'000	\$'000
Consolidated income statement:		
Current income tax:		
- Current income taxation	2,270	985
- (Over)/under provision in respect of previous years	(148)	173
	<u>2,122</u>	<u>1,158</u>
Deferred income tax:		
- Origination and reversal of temporary differences	(101)	(309)
- Under provision in respect of previous years	85	114
	<u>(16)</u>	<u>(195)</u>
Income tax expense recognised in profit or loss	<u>2,106</u>	<u>963</u>

There is no income tax attributable to discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

8. Income tax expense (cont'd)

(b) *Relationship between tax expense and accounting profit/(loss)*

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 May 2019 and 2018 is as follows:

	Group	
	2019	2018
	\$'000	\$'000
		(Restated)
Profit/(loss) before tax from continuing operations	178	(889)
Loss before tax from discontinued operation	–	(7,474)
Accounting profit/(loss) before tax	178	(8,363)
Tax at the domestic rates applicable to profits in the countries where the Group operates	(465)	(54)
<u>Adjustments:</u>		
Non-deductible expenses	3,202	1,346
Income not subject to taxation	(537)	(405)
Effect of tax incentives	(392)	(132)
(Over)/under provision in respect of previous years income tax	(148)	173
Under provision in respect of previous years deferred income tax	85	114
Deferred tax assets not recognised	354	–
Share of results of associates	(26)	(53)
Singapore statutory stepped income exemption	–	(26)
Others	33	–
Income tax expense recognised in profit or loss	2,106	963

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

9. Loss per share

(a) Continuing operations

Basic loss per share amounts from continuing operations are calculated by dividing the loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted loss per share amounts from continuing operations are calculated by dividing the loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 May:

	Group	
	Basic and diluted	
	2019	2018
	\$'000	\$'000
		(Restated)
Loss for the year attributable to owners of the Company	(2,134)	(9,756)
Add back: Loss from discontinued operation, net of tax, attributable to owners of the Company	–	7,474
Loss from continuing operations, attributable to owners of the Company used in the computation of basic loss per share from continuing operations	(2,134)	(2,282)
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares for basic and diluted loss per share computation	688,532	686,368

(b) Loss per share computation

The basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share. The basic and diluted loss per share are the same because there are no dilutive securities. These loss and share data are presented in the tables in Note 9 (a) above.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

10. Property, plant and equipment

Group	At cost						Total \$'000
	Leasehold land, buildings and improvements \$'000 (Restated)	Cement plant and related equipment \$'000	Furniture, fittings and office equipment \$'000	Motor vehicles, trailers and forklifts \$'000	Warehouse equipment \$'000	Assets under construction \$'000	
Cost:							
At 1 June 2018	125,323	6,765	2,353	17,339	5,965	155	157,900
Additions	633	30	251	2,165	435	481	3,995
Disposals	-	-	(7)	(1,264)	(264)	-	(1,535)
Adjustment	(1,594)	-	-	-	-	-	(1,594)
Reclassification	-	-	-	-	636	(636)	-
Write-off	(5,359)	-	(24)	-	(2)	-	(5,385)
Exchange differences	(614)	(299)	(10)	(162)	-	-	(1,085)
At 31 May 2019	118,389	6,496	2,563	18,078	6,770	-	152,296
Accumulated depreciation:							
At 1 June 2018	20,955	487	1,823	9,961	1,978	-	35,204
Depreciation charge for the year	5,788	247	223	1,950	743	-	8,951
Disposals	-	-	(7)	(1,148)	(237)	-	(1,392)
Write-off	(5,133)	-	(24)	-	(1)	-	(5,158)
Exchange differences	(53)	(22)	(2)	(77)	-	-	(154)
At 31 May 2019	21,557	712	2,013	10,686	2,483	-	37,451
Net carrying amount:							
At 31 May 2019	96,832	5,784	550	7,392	4,287	-	114,845

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

10. Property, plant and equipment (cont'd)

Group	At cost						Total \$'000
	Leasehold land, buildings and improvements \$'000 (Restated)	Cement plant and related equipment \$'000	Furniture, fittings and office equipment \$'000	Motor vehicles, trailers and forklifts \$'000	Warehouse equipment \$'000	Assets under construction \$'000	
Cost:							
At 1 June 2017	83,743	6,088	2,290	16,491	2,836	24,472	135,920
Additions	3,409	469	401	1,039	2,392	14,517 ⁽¹⁾	22,227
Disposals	-	-	(21)	(291)	(440)	-	(752)
Reclassification	37,721	-	(64)	-	1,177	(38,834)	-
Write-off	(2)	-	(257)	(15)	-	-	(274)
Exchange differences	452	208	4	115	-	-	779
At 31 May 2018	125,323	6,765	2,353	17,339	5,965	155	157,900
Accumulated depreciation:							
At 1 June 2017	16,664	225	1,820	8,281	1,803	-	28,793
Depreciation charge for the year	3,623	250	280	1,922	378	-	6,453
Depreciation capitalised	634 ⁽¹⁾	-	-	-	-	-	634
Disposals	-	-	(23)	(271)	(203)	-	(497)
Write-off	(2)	-	(256)	(14)	-	-	(272)
Exchange differences	36	12	2	43	-	-	93
At 31 May 2018	20,955	487	1,823	9,961	1,978	-	35,204
Net carrying amount:							
At 31 May 2018	104,368	6,278	530	7,378	3,987	155	122,696

⁽¹⁾ Additions to assets under construction during the year include the depreciation of leasehold land at 39 Benoi Road amounting to \$634,000.

The Group elected the optional exemption in SFRS(I) 1 to measure the leasehold land, buildings and improvements at 1 June 2017 at original historical cost less accumulated depreciation and impairment losses. The details of adjustments at 1 June 2017 and 31 May 2018 on adoption of SFRS(I) are disclosed in Note 2.2

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

10. Property, plant and equipment (cont'd)

	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Total \$'000
Company			
Cost:			
At 1 June 2018	173	527	700
Additions	23	–	23
Write-off	(19)	–	(19)
Disposal	(7)	–	(7)
At 31 May 2019	170	527	697
Accumulated depreciation:			
At 1 June 2018	115	443	558
Depreciation charge for the year	34	42	76
Write-off	(19)	–	(19)
Disposal	(6)	–	(6)
At 31 May 2019	124	485	609
Net carrying amount:			
At 31 May 2019	46	42	88
Company			
Cost:			
At 1 June 2017	201	527	728
Additions	74	–	74
Disposals	(102)	–	(102)
At 31 May 2018	173	527	700
Accumulated depreciation:			
At 1 June 2017	171	401	572
Depreciation charge for the year	46	42	88
Disposals	(102)	–	(102)
At 31 May 2018	115	443	558
Net carrying amount:			
At 31 May 2018	58	84	142

During the year, the total gain on disposal of property, plant and equipment amounted to \$9,000 (2018: \$203,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

10. Property, plant and equipment (cont'd)

Leasehold land, buildings and improvements

The Group's leasehold properties as at 31 May 2019 comprise the following:

Location	Title	Description
No. 6 Pioneer Walk Singapore 627751	Leasehold 30 years from 1 May 2006	2-storey ramp-up warehouse building with 4-storey ancillary office building
No. 39 Benoi Road Singapore 627725	Leasehold 35 years and 11.5 months from 1 March 2001	A 5-storey ramp-up warehouse building with ancillary office
7 Kwong Min Road Singapore 628710	Leasehold 30 year with effect from 1 July 1998	A 3-storey detached factory
No. 338 Yesheng Road Yangshan Free Trade Port Area, Pudong District, Shanghai, 9 November 2011 The People's Republic of China	Leasehold 50 years from	3-storey warehouse building with a 2-storey ancillary office building

Assets under construction

The Group's property, plant and equipment amounted to Nil (2018: \$155,000, 2017: \$24,472,000) which relate to re-development expenditure for the property, plant and equipment at No. 39 Benoi Road.

Assets held under finance leases

During the financial year, the Group acquired motor vehicles, trailers and forklifts with an aggregate cost of \$1,672,000 (2018: \$1,364,000, 2017: \$2,103,000) by means of finance leases.

The carrying amount of assets held under finance leases, primarily motor vehicles, trailers and forklifts at the end of the reporting period was \$3,776,000 (2018: \$5,957,000, 2017: \$6,886,000).

Leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold land, buildings and improvements with a carrying amount of \$96,832,000 (2018: \$104,368,000, 2017: \$67,079,000) are mortgaged to secure the Group's bank loans (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

11. Land use rights

	Group	
	31 May 2019 \$'000	31 May 2018 \$'000
Cost:		
At 1 June	5,374	5,200
Exchange differences	(235)	174
At 31 May	5,139	5,374
Accumulated amortisation:		
At 1 June	580	455
Charge for the year	104	107
Exchange differences	(25)	18
At 31 May	659	580
Net carrying amount:		
At 31 May	4,480	4,794
Amount to be amortised:		
- Not later than one year	104	107
- Later than one year but not later than five years	415	404
- Later than five years	3,961	4,283

The Group has land use rights over a plot of state-owned land in People's Republic of China ("PRC") where the Group's PRC warehouse is located at No. 338 Yesheng Road, Yangshan Free Trade Port Area, Pudong District, Shanghai, People's Republic of China. The land use rights are not transferable and have a remaining tenure of 43 years (2018: 44 years, 2017:45 years).

The Group also has land use rights over a plot of state-owned land in Wuzhou, People's Republic of China ("PRC") where the Group has constructed a ready-mix plant. The land use rights are transferable and have a remaining tenure of 46 years (2018: 47 years, 2017: 48 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

12. Intangible assets

	Goodwill \$'000	Group Customer relationships \$'000	Total \$'000
Cost:			
At 1 June 2017, 31 May 2018 and 31 May 2019	5,655	4,019	9,674
Accumulated amortisation and impairment:			
At 1 June 2017	–	947	947
Amortisation	–	1,247	1,247
At 31 May 2018 and 1 June 2018	–	2,194	2,194
Amortisation	–	732	732
Impairment losses	1,912	–	1,912
At 31 May 2019	1,912	2,926	4,838
Net carrying amount			
At 31 May 2018	5,655	1,825	7,480
At 31 May 2019	3,743	1,093	4,836

Customer relationships

Customer relationships relates to the ability to make regular contact with recurring customers. The useful lives of the customer relationships are estimated to be 2 to 7 years.

Amortisation expense

The amortisation of customer relationships is included in “Administrative expenses” line item in the profit or loss.

Impairment testing of goodwill

Goodwill arising from business combinations has been allocated to two cash-generating units (“CGU”) for impairment testing as follows:

- Marquis Services Pte Ltd (“Marquis”) on 15 December 2015; and
- TNS Ocean Lines (S) Pte Ltd (“TNS”) on 30 November 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

12. Intangible assets (cont'd)

Impairment testing of goodwill (cont'd)

The carrying amount of goodwill allocated to each CGU as at 31 May is as follows:

	Marquis \$	TNS \$	Total \$
31 May 2019			
Goodwill	1,315	2,428	3,743
31 May 2018			
Goodwill	1,315	4,340	5,655
1 June 2017			
Goodwill	1,315	4,340	5,655

The recoverable amounts of the CGUs have been determined based on value in use calculations which are based on cash flow projections from financial budgets approved by management covering a 5-year period. The post-tax discount rate applied to the 5-year cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5-year period are as follows:

	31 May 2019		31 May 2018		1 June 2017	
	Marquis	TNS	Marquis	TNS	Marquis	TNS
Forecasted revenue growth rates	2.0%	2.0% - 15.0%	2.0%	5.0%	2.0%	5.0%
Long term growth rates	1.6%	1.8%	1.6%	1.8%	1.8%	2.0%
Post-tax discount rates	8.3%	8.9%	8.3%	8.4%	8.0%	10.0%

Key assumptions used in the value in use calculations

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

Forecasted revenue growth rates – For TNS, management has forecasted a one-time growth of 15.0% for the financial year FY2020 based on agreed customer contracts. Thereafter, the revenue is forecasted to grow between 2.0% to 6.0% over the budget period for anticipated efficiency improvements. For Marquis, an average growth rates of 2.0% per annum was applied for anticipated efficiency improvements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

12. Intangible assets (cont'd)

Key assumptions used in the value in use calculations (cont'd)

Long-term growth rates – The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Post-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity.

Based on management's assessment, an impairment loss of \$1,912,000 has been made on TNS for the financial year ended 31 May 2019.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for Marquis and TNS, a reasonably possible changes in any of the above key assumptions would cause the carrying value of the value in use for TNS to increase or decrease the recoverable amount recognised on the balance sheet as follow:

	Estimate range %	Sensitivity Basis Points	Impact to impairment loss Increase/ (decrease) \$'000
<u>Assumptions</u>			
Forecasted revenue growth rates	2% to 15%	-/+32	231/(230)
Long term growth rates	1.8%	-/+9	66/(67)
Post-tax discount rates	8.9%	-/+10	(93)/94

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

13. Investments in subsidiaries

	Company		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
Shares, at cost			
At 1 June	63,378	63,377	59,928
Acquisition of subsidiary	–	1	6,422
Subsidiary struck off	–	–	(2,973)
At 31 May	63,378	63,378	63,377
Less: Impairment losses	(15,419)	(11,419)	(3,817)
	47,959	51,959	59,560

Movement in allowance for impairment during the financial year is as follows:

	Company		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
At 1 June	11,419	3,817	6,726
Allowance for the year	4,000	7,602	–
Subsidiary struck off	–	–	(2,909)
At 31 May	15,419	11,419	3,817

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective percentage of equity held by Group		
		31 May	31 May	1 June
		2019	2018	2017
		%	%	%
<i>Held by the Company</i>				
GKE Private Limited ⁱ (Singapore)	Provision of warehousing services and trading business	100	100	100
GKE Warehousing & Logistics Pte Ltd ⁱ (Singapore)	Provision of warehousing, packing and transportation services	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

13. Investments in subsidiaries (cont'd)

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective percentage of equity held by Group		
		31 May 2019	31 May 2018	1 June 2017
		%	%	%
<i>Held by the Company (cont'd)</i>				
GKE Express Logistics Pte Ltd ⁱ (Singapore)	Provision of freight forwarding, transportation, warehousing and logistics services	100	100	100
GKE Freight Pte Ltd ⁱ (Singapore)	Provision of freight forwarding and transportation services	100	100	100
Van Der Horst Logistics Limited ⁱⁱ (British Virgin Islands)	Investment holding	65	65	65
GKE Holdings (HK) Co., Ltd. ⁱⁱⁱ (Hong Kong)	Investment holding	100	100	100
GKE Shipping Co., Ltd. ^{iv} (Hong Kong)	Investment holding	–	–	100
GKE Shipping Limited ⁱⁱ (British Virgin Islands)	Investment holding	100	100	100
G-Chem Logistics Pte Ltd. ⁱ (Singapore)	Provision of warehousing, packing and transportation services	100	100	–
Marquis Services Pte Ltd ⁱ (Singapore)	Provision of freight forwarding, transportation, warehousing and logistics services	70	70	70
TNS Ocean Lines (S) Pte Ltd ⁱ	Provision of port operations and logistics services, stevedoring and freight forwarding services	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

13. Investments in subsidiaries (cont'd)

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective percentage of equity held by Group		
		31 May 2019	31 May 2018	1 June 2017
		%	%	%
<i>Held through Van Der Horst Logistics Limited</i>				
Van Der Horst (Shanghai) Logistics Co., Ltd. ^v (People's Republic of China)	Provision of storage and warehousing	65	65	65
<i>Held through GKE Freight Pte Ltd</i>				
PT GKE Investment ⁱⁱ (Indonesia)	Investment holding	100	100	100
<i>Held through PT GKE Investment</i>				
PT GKE Indonesia ⁱⁱ (Indonesia)	Provision of freight forwarding and transportation services	100	100	100
<i>Held through GKE Holdings (HK) Co., Ltd</i>				
Wuzhou Xing Jian Readymix Co., Ltd ^{vi} (People's Republic of China)	Producing and manufacturing of environmental friendly lightweight brick, building materials and cement products	100	100	100
<i>Held through Wuzhou Xing Jian Readymix Co., Ltd</i>				
Cenxi Xing Jian Readymix Co., Ltd ^{vii} (People's Republic of China)	Producing and manufacturing of environmental friendly lightweight brick, building materials and cement products	—¹	—	—

i. Audited by Ernst & Young LLP.

ii. Not required to be audited in the country of incorporation.

iii. Audited by Lui Siu Tang & Company Certified Public Accountants.

iv. Not required to be audited during the financial year. On 17 November 2017, the Group has deregistered its 100%-owned subsidiary, GKE Shipping Co. Ltd.

v. Audited by Shanghai Yinhu Certified Public Accountants.

vi. Audited by Wuzhou Zhengyi Lianhe Certified Public Accountants.

vii. In the process of appointing a statutory auditor

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

13. Investments in subsidiaries (cont'd)

In accordance with Rule 716 of SGX-ST Listing Rules, the Audit and Risk Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

¹ During the year, the Group, through its wholly owned subsidiary Wuzhou Xing Jian Readymix Co., Ltd ("Wuzhou Xing Jian"), has established a wholly owned subsidiary, Cenxi Xing Jian Readymix Co., Ltd ("Cenxi Xing Jian"). Pursuant to the articles of association, the Group is required to subscribe to RMB 10,000,000 (approximately \$1,996,000) worth of shares, representing the entire paid-up capital contribution of Cenxi Xing Jian, by the end of 31 December 2019. As at 31 May 2019, no such capital injection has taken place.

a. Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group:

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	(Loss)/profit allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
31 May 2019:					
Van Der Horst Logistics Limited and its subsidiary	People's Republic of China	35%	(145)	3,563	–
Marquis Services Pte Ltd	Singapore	30%	351	1,370	360
31 May 2018: (Restated)					
Van Der Horst Logistics Limited and its subsidiary	People's Republic of China	35%	115	3,862	–
Marquis Services Pte Ltd	Singapore	30%	315	1,378	210
1 June 2017: (Restated)					
Van Der Horst Logistics Limited and its subsidiary	People's Republic of China	35%	(18)	3,638	–
Marquis Services Pte Ltd	Singapore	30%	481	1,272	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

13. Investments in subsidiaries (cont'd)

a. Interest in subsidiaries with material non-controlling interest (NCI) (cont'd)

Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of the subsidiaries with material non-controlling interests are as follows:

Summarised balance sheet

	Van Der Horst Logistics Limited and its subsidiary			Marquis Services Pte Ltd		
	As at 31 May 2019 \$'000	As at 31 May 2018 \$'000	As at 1 June 2017 \$'000	As at 31 May 2019 \$'000	As at 31 May 2018 \$'000	As at 1 June 2017 \$'000
	(Restated)		(Restated)			
<u>Current</u>						
Assets	440	474	560	3,176	2,983	2,735
Liabilities	(3,927)	(892)	(5,368)	(1,746)	(1,780)	(2,353)
Net current (liabilities)/ assets	(3,487)	(418)	(4,808)	1,430	1,203	382
<u>Non-current</u>						
Assets	14,878	15,944	15,788	5,721	6,404	7,301
Liabilities	(1,211)	(4,491)	(586)	(2,584)	(3,014)	(3,443)
Net non-current assets	13,667	11,453	15,202	3,137	3,390	3,858
Net assets	10,180	11,035	10,394	4,567	4,593	4,240

Summarised statement of comprehensive income

	Van Der Horst Logistics Limited and its subsidiary		Marquis Services Pte Ltd	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
	(Restated)			
Revenue	818	1,008	7,820	7,415
(Loss)/profit before income tax expense	(414)	382	1,513	1,387
Income tax expense	–	(54)	(343)	(337)
(Loss)/profit after tax	(414)	328	1,170	1,050
Other comprehensive income	(438)	313	–	–
(Loss)/profit after tax, representing total comprehensive income	(852)	641	1,170	1,050

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

13. Investments in subsidiaries (cont'd)

a. Interest in subsidiaries with material non-controlling interest (NCI) (cont'd)

Other summarised information

	Van Der Horst Logistics Limited and its subsidiary			Marquis Services Pte Ltd		
	As at 31 May 2019 \$'000	As at 31 May 2018 \$'000	As at 1 June 2017 \$'000	As at 31 May 2019 \$'000	As at 31 May 2018 \$'000	As at 1 June 2017 \$'000
Net cash flows from operations	220	478	753	1,710	2,010	1,847
Acquisition of significant property, plant and equipment	-	-	-	(231)	-	(663)

Significant restrictions:

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of the subsidiaries.

b. Acquisition of subsidiary in the financial year ended 31 May 2017

On 30 November 2016 (the "acquisition date"), the Company acquired a 100% equity interest in TNS Ocean Lines (S) Pte Ltd ("TNS"), a provider of port operations and logistics services, stevedoring and freight forwarding services. Upon the acquisition, TNS became a wholly-owned subsidiary of the Company.

The acquisition would strengthen the Group's capabilities to offer a wider range of port operations and logistics services to a more diverse industries, where cross-selling of their specialised port operations and logistics solutions & services could potentially enhance the Group's competitiveness in this sector.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

13. Investments in subsidiaries (cont'd)

b. Acquisition of subsidiary in the previous financial year (cont'd)

The fair value of the identifiable assets and liabilities of TNS as at the acquisition date were:

	Fair value recognised on acquisition \$'000
Customer relationships	1,884
Property, plant and equipment	68
Trade and other receivables	2,225
Cash and cash equivalents	933
	5,110
Trade and other payables	(2,589)
Finance leases	(119)
Deferred tax liabilities	(320)
	(3,028)
Total identifiable net assets at fair value	2,082
Goodwill arising from acquisition	4,340
	6,422
<u>Consideration transferred for the acquisition of TNS</u>	
Cash paid	2,700
Equity instruments issued (48,158,250 ordinary shares and 4,341,750 treasury shares of the Company)	3,722
Total consideration transferred	6,422

The consideration transferred for the acquisition of TNS comprised \$2,700,000 in cash and issuance of 52,500,000 of the Company's ordinary shares. The 52,500,000 consideration shares were placed under moratorium in an escrow arrangement.

	\$'000
<u>Effect of the acquisition of TNS on cash flows</u>	
Total consideration for 100% equity interest acquired	6,422
Less: non-cash consideration	(3,722)
Consideration settled in cash	2,700
Less: Cash and cash equivalents of subsidiary acquired	(933)
Net cash outflow on acquisition	1,767

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

13. Investments in subsidiaries (cont'd)

b. Acquisition of subsidiary in the previous financial year (cont'd)

Equity instruments issued as part of consideration transferred

In connection with the acquisition of 100% equity interest in TNS, the Company issued 48,158,250 ordinary shares and 4,341,750 treasury shares with the volume weighted average share price of \$0.0892 each, measured on the completion date of acquisition. The attributable cost of the issuance of the shares has been recognised directly in equity as a deduction from share capital.

Contingent consideration arrangement

As part of the purchase agreement with the previous shareholders of TNS, a contingent consideration has been agreed.

In the event TNS fails to achieve a cumulative net profit before tax⁽¹⁾ of an aggregate of at least \$3,500,000 (less the performance bonus, if any) ("Profit Guarantee"), two of the previous shareholders have undertaken to pay a cash sum being the difference between the said sum of \$3,500,000 and the actual NPBT achieved for the warranty period⁽²⁾, as compensation for the non-fulfilment of the Profit Guarantee.

⁽¹⁾ Net profit before tax means profit before income tax, non-recurring, one-off or other extraordinary items.

⁽²⁾ Warranty period means the period from the Completion Date and the date falling three years after the Completion Date.

As at the acquisition date, the fair value of the contingent consideration was estimated to be not significant. However, as at 31 May 2019, the contingent consideration was estimated to be \$1,983,000. (Note 19)

14. Investments in associates

	Group			Company		
	31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unquoted equity shares, at cost	–	6,615	6,615	–	6,615	6,615
Acquisition of investment in associate	14	–	–	–	–	–
Impairment losses	–	(3,916)	(3,916)	–	(3,426)	(3,426)
Share of net post acquisition reserves	–	(194)	119	–	–	–
	14	2,505	2,818	–	3,189	3,189

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

14. Investments in associates (cont'd)

The activities of the associates are strategic to the Group activities. The Group's investments in associates, are summarised below:

Name of associates (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest		
		31 May 2019	31 May 2018	1 June 2017
		%	%	%
Held by the Company				
GKE Metal Logistics Pte Ltd ⁱ (Singapore)	Provision of storage, freight forwarding, warehousing, packing, removal and delivery services	–	49	49
Held through TNS Ocean Lines (S) Pte Ltd				
TNS Ocean Lines International Private Limited. ⁱⁱ (India)	Provision of port operations and logistics services, stevedoring and freight forwarding services	30	–	–
Held through GKE Metal Logistics Pte Ltd				
GKE (Shanghai) Metal Logistics Co., Ltd. ⁱⁱⁱ (People’s Republic of China)	Provision of storage, freight forwarding, warehousing, packing, removal and delivery services	–	32	32
Held through GKE (Shanghai) Metal Logistics Co., Ltd.				
Shanghai GKE Logistics Co., Ltd. ⁱⁱⁱ (People’s Republic of China)	Provision of storage, freight forwarding, warehousing, packing, removal and delivery services	–	32	32
Guangzhou GKE Warehousing Co., Ltd. ⁱⁱⁱ (People’s Republic of China)	Provision of storage, freight forwarding, warehousing, packing, removal and delivery services	–	32	32
Held through Wuzhou Xing Jian Readymix Co., Ltd				
Cenxi Haoyi Recycling Co., Ltd ⁱⁱ (People’s Republic of China)	Producing and manufacturing of environmental friendly lightweight brick, building materials and cement products	– ¹	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

14. Investments in associates (cont'd)

- i. Audited by Ernst & Young LLP
- ii. In the process of appointing a statutory auditor
- iii. Audited by Shanghai Yinhu Certified Public Accountants.

¹ During the year, the Group, via its wholly owned subsidiary Wuzhou Xing Jian, together with Dongguan Haoyi Industrial Investment Co., Ltd and Cenxi City Hengyi Investment Co., Ltd., established Cenxi Haoyi Recycling Co., Ltd ("Cenxi Haoyi") pursuant to a cooperation agreement (the "Agreement"). Under the terms of the agreement, the Group is required to subscribe to RMB 24,000,000 (approximately \$4,791,000) worth of shares, representing 24% of the total paid up capital contribution of Cenxi Haoyi. As at 31 May 2019, no such capital injection has taken place.

The summarised financial information of the material associate, GKE Metal Logistics Pte Ltd, based on its IFRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

GKE Metal Logistics Pte Ltd and its subsidiaries			
	As at 31 May 2019 \$'000	As at 31 May 2018 \$'000	As at 1 June 2017 \$'000
Current assets	–	4,960	5,745
Intangible assets	–	2,627	2,627
Goodwill	–	2,541	2,541
Non-current assets	–	85	125
Total assets	–	10,213	11,038
Current liabilities, representing total liabilities	–	1,749	1,694
Net assets excluding goodwill and intangible assets	–	3,296	4,176
Less: non-controlling interest	–	(706)	(927)
Adjusted net assets	–	2,590	3,249
Proportion of the Group's ownership	–	49%	49%
Group's share of net assets	–	1,269	1,592
Intangible asset with indefinite useful life	–	1,252	1,252
Deferred tax on undistributed earnings	–	(16)	(26)
Group's carrying amount of the investment in associates	–	2,505	2,818

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

14. Investments in associates (cont'd)

Summarised statement of comprehensive income (cont'd)

GKE Metal Logistics Pte Ltd and its subsidiaries			
	31 May 2019	31 May 2018	1 June 2017
	\$'000	\$'000	\$'000
Revenue	1,771	10,492	10,436
(Loss)/profit after tax from continuing operations	(314)	(839)	9
Other comprehensive income	(186)	49	(97)
Total comprehensive income	(500)	(790)	(88)

On 8 August 2018, the Group entered into a sales agreement with Hung Lin Holding Ltd (the “Purchaser”) to dispose off the 49% interest in the associate, as the Group wishes to focus on its core businesses. The disposal consideration was settled in cash of US\$2,066,000 (approximately \$2,821,000). The disposal was simultaneously completed on 8 August 2018.

	2019 \$'000
Sales consideration	2,821
Carrying amount of associate derecognised	(2,259)
Cumulative exchange difference in respect of the carrying amount of the associate re-classified from equity on disposal	(24)
Gain on disposal of associate	538

The gain on disposal is included in “Other income” in the consolidated income statement.

15. Investments in joint ventures

In 2018, the Group has 50% equity interest in a joint venture, Ocean Latitude Limited (“Ocean Latitude”) that is held through a subsidiary, GKE Shipping Limited. This joint venture is incorporated in British Virgin Islands. During the financial year ended 31 May 2018, the Group divested its entire 50% equity interest in Ocean Latitude at a consideration of US\$1,080,000. A net loss of \$4,823,000 was recognised from the transaction.

Summarised financial information in respect of Ocean Latitude based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

15. Investments in joint ventures (cont'd)

Summarised balance sheet

	Ocean Latitude Limited		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
Cash and cash equivalents	–	–	675
Trade and other receivables	–	–	3,143
Current assets	–	–	3,818
Non-current assets	–	–	95,964
Total assets	–	–	99,782
Current financial liabilities (excluding trade and other payables)			7,762
Other current liabilities	–	–	11,466
Current liabilities			19,228
Non-current liabilities	–	–	62,098
Total liabilities	–	–	81,326
Net assets	–	–	18,456
Proportion of the Group's ownership	–	–	50%
Group's share of net assets	–	–	9,228
Carrying amount of the investment	–	–	9,228

Summarised statement of comprehensive income

	Ocean Latitude Limited		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
Revenue	–	5,726	11,478
Operating expenses	–	(7,293)	(7,468)
Interest expense	–	(3,735)	(4,902)
Loss before tax	–	(5,302)	(892)
Income tax expense	–	–	–
Loss after tax	–	(5,302)	(892)
Other comprehensive income	–	–	(285)
Total comprehensive income	–	(5,302)	(1,177)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

16. Financial instruments at fair value through profit or loss

	Group and Company 31 May 2019 \$'000
Quoted equity shares, at fair value	
At 1 June	640
Fair value adjustment	(355)
At 31 May	<u>285</u>

17. Available-for-sale investments

	Group and Company	
	31 May 2018 \$'000	1 June 2017 \$'000
Quoted equity shares, at fair value		
At 1 June	697	723
Purchase of available-for-sale investments	50	14
Disposal of available-for-sale investments	—	(14)
Fair value adjustment	(72)	66
Impairment losses	(35)	(92)
At 31 May	<u>640</u>	<u>697</u>

In the previous financial years, the Group recognised impairment loss of \$35,000 (2017: \$92,000) for quoted equity shares as there were “significant” or “prolonged” decline in the fair value of these investments below their costs. The Group treats “significant” generally as 30% and “prolonged” as greater than 12 months.

18. Prepayments

Prepayments relate to mining rights acquired during the year by the Group’s wholly owned subsidiary Wuzhou Xing Jian Readymix Co., Ltd (“Wuzhou Xing Jian”) in the People’s Republic of China from the municipal land authority in the Cangwu County with an aggregate consideration of RMB 5,050,000 (\$1,040,000).

Wuzhou Xing Jian has entered into an agreement with Cangwu County Wanfu Trading Co., Ltd (“Cangwu Wanfu”) and Wuzhou Xing Zhan Investment Co., Ltd (“Wuzhou Investment”) to form a joint venture company (“JVC”) where the mining rights would be transferred into the JVC. As at 31 May 2019, the transfer of the mining rights to the JVC has not been completed and continues to be held by Wuzhou Xing Jian.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

19. Trade and other receivables

	Group			Company		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
Trade and other receivables (current):						
Trade receivables	25,284	15,301	12,038	–	–	–
Amounts due from associate						
- Trade	–	180	246	–	–	–
- Non-trade	–	5	5	–	–	5
Amount due from joint venture						
- Non-trade	–	–	4,685	–	5	–
SGD loans to subsidiaries	–	–	–	2,354	3,785	2,505
Amounts due from subsidiaries	–	–	–	5,927	9,436	9,821
Staff advances	15	13	22	–	–	1
Refundable deposits	775	862	487	–	–	–
Deposits for purchase of property, plant and equipment	–	107	227	–	–	–
Capitalised contract cost	178	–	–	–	–	–
Contingent consideration for business combination	1,983	–	–	1,983	–	–
Other receivables	3,236 ⁽¹⁾	6,302 ⁽¹⁾	1,406	29	95	29
	31,471	22,770	19,116	10,293	13,321	12,361
Other receivables (non-current):						
SGD loan to subsidiaries	–	–	–	4,202	5,150	4,866
Total trade and other receivables (current and non-current)	31,471	22,770	19,116	14,495	18,471	17,227
Less: GST receivables	–	–	(130)	–	–	–
Less: Capitalised contract cost	(178)	–	–	–	–	–
Less: Contingent consideration for business combination	(1,983)	–	–	(1,983)	–	–
Add: Cash and short-term deposit (Note 21)	11,661	14,820	12,762	2,988	123	528
Total financial assets carried at amortised cost	40,971	37,590	31,748	15,500	18,594	17,755

⁽¹⁾ Other receivables relate mainly to shareholder's loan provided to Ocean Latitude Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

19. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition

Trade receivables denominated in foreign currencies as at 31 May are as follows:

	Group			Company		
	31 May 2019	31 May 2018	1 June 2017	31 May 2019	31 May 2018	1 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States Dollar	256	702	249	–	–	–

Related party balances and staff advances

The amounts due from associate are trade in nature, non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free, repayable on demand and to be settled in cash.

The amount due from joint venture is non-trade in nature, unsecured, interest-free, repayable on demand and to be settled in cash.

The current and non-current SGD loans to subsidiaries comprise the following principal amounts at inception:

- Unsecured 18-years term loan of \$6,400,000 (2018: \$6,400,000, 2017: \$6,400,000), bears interest at 1.95% per annum and repayable in June 2031. The loan shall be repaid over 216 monthly instalments and is to be settled in cash.
- Unsecured 5-years term loan of \$586,000 (2018: \$586,000, 2017: \$586,000), bears interest at 6% per annum and repayable on 27 January 2018. The loan is repayable in one lump sum on the fifth year from its first drawdown. As of year end, the subsidiary has not repaid the loan.
- Unsecured loan amounting to \$1,481,000 for 2018 and 2017 has been fully repaid in 2018 in cash. The loan is non-interest bearing and repayable on demand.
- Unsecured loan of \$497,000 (2018: \$456,000, 2017: \$343,000), bears interest at 6% per annum and repayable on demand.
- Unsecured loan of \$100,000 (2018: \$400,000, 2017: \$Nil), bears interest at 1.0% per annum and repayable on demand.
- Unsecured loan of \$1,000,000 (2018: \$Nil, 2017: \$Nil), bears interest at 3.0% per annum and repayable on demand.

Staff advances and other receivables are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

19. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$6,308,000 as at 31 May 2018 (2017: \$4,472,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	31 May 2018 \$'000	1 June 2017 \$'000
Trade receivables past due but not impaired:		
Less than 30 days	2,834	2,318
31 - 60 days	1,552	916
61 - 90 days	378	380
More than 90 days	1,544	858
	<u>6,308</u>	<u>4,472</u>

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	31 May 2018 \$'000	1 June 2017 \$'000
Trade receivables – nominal amounts	177	169
Less: Allowance for impairment	<u>(177)</u>	<u>(169)</u>
	<u>–</u>	<u>–</u>
Movements in allowance account:		
At 1 June	169	264
Allowance/(reversal of allowance) made (Note 7)	8	(16)
Written off	<u>–</u>	<u>(79)</u>
At 31 May	<u>177</u>	<u>169</u>

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

19. Trade and other receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL as at 31 May 2019 are as follow:

	Group 2019 \$'000
Movements in allowance account:	
At 1 June	177
Charge for the year, recorded in administrative expenses	16
Written off	(12)
At 31 May	<u>181</u>

Capitalised contract cost

The Group incurs setup contract costs in the process of fulfilling its performance obligations to its customers and the table below shows the movement of contract costs during the years.

	Group 2019 \$'000	2018 \$'000
At 1 June	–	–
Additions	1,358	–
Amortisation	(1,180)	–
At 31 May	<u>178</u>	<u>–</u>

Contingent consideration

Contingent consideration relates to the arrangement with TNS Ocean Lines (S) Pte. Ltd ("TNS"). (Note 13(b)). As at 31 May 2019, the contingent consideration has been revalued as a result of the challenging operating environment faced by TNS, as follows:

	Group \$'000
Initial fair value of contingent consideration at acquisition date (Note 13b)	–
Fair value adjusted as at 31 May 2019	<u>1,983</u>
	<u>1,983</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

20. Inventories

	31 May 2019 \$'000	Group 31 May 2018 \$'000	1 June 2017 \$'000
Balance sheet:			
Raw material (at cost)	395	469	253
Income statement:			
Inventories recognised as an expense in cost of sales	15,096	11,908	5,439

21. Cash and short-term deposit

	31 May 2019 \$'000	Group 31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	Company 31 May 2018 \$'000	1 June 2017 \$'000
Cash at banks and on hand	9,310	12,640	10,582	2,988	123	528
Short-term deposit – pledged	2,351	2,180	2,180	–	–	–
Cash and short-term deposit	11,661	14,820	12,762	2,988	123	528

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The short-term deposit is placed for a specific period and pledged for a banking facility. The effective interest rate of short-term deposit is 1.2% (2018: 1.2%, 2017: 1.2%) per annum.

Cash at banks and on hand denominated in foreign currencies as at 31 May are as follows:

	31 May 2019 \$'000	Group 31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	Company 31 May 2018 \$'000	1 June 2017 \$'000
United States Dollar	4,433	2,182	1,491	2,550	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

21. Cash and short-term deposit (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group		
	31 May 2019	31 May 2018	1 June 2017
	\$'000	\$'000	\$'000
Cash at banks and on hand	9,310	12,640	10,582

22. Share capital

	Group and Company			
	2019		2018	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares:				
At beginning and end of financial year	694,700	78,165	694,700	78,165

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

23. Treasury shares

	Group and Company			
	2019		2018	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 June	(6,168)	(672)	(11,168)	(1,216)
Transfer of treasury shares	–	–	5,000	544
At 31 May	(6,168)	(672)	(6,168)	(672)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

On 6 November 2017, as part of the purchase agreement with the previous shareholders of Marquis Services Pte Ltd ("Marquis"), the Group transferred 5,000,000 treasury shares as part of the consideration for the acquisition of 70% of issued share capital of Marquis, as it has achieved the profit target.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

24. Other reserves

Other reserves comprise the following:

	Note	Group			Company	
		31 May	31 May	1 June	31 May	1 June
		2019	2018	2017	2019	2017
		\$'000	\$'000	\$'000	\$'000	\$'000
Foreign currency translation reserve	(i)	407	1,096	945	–	–
Fair value reserve	(ii)	–	298	370	–	298
Capital reserve	(iii)	(97)	(97)	(88)	(97)	(88)
Statutory reserve	(iv)	224	–	–	–	–
		534	1,297	1,227	(97)	282

Movements in other reserves are as follows:

(i) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(ii) Fair value reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets for 31 May 2018 and 1 June 2017 until they are disposed of or impaired.

(iii) Capital reserve

Capital reserve represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares.

(iv) Statutory reserve

In accordance with the Company Law applicable to the subsidiary in the People's Republic of China (PRC), the subsidiary is required to make appropriation to a Statutory reserve ("SR"). 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SR until the cumulative total of the SR reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SR may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SR is not available for dividend distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

25. Other liabilities

	Group			Company		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
Current:						
Accrued operating expenses	4,391	6,992	5,631	973	2,436	1,526
Deposits received	279	168	258	–	–	–
Contract liabilities	53	81	90	–	–	–
Contingent consideration for business combination	–	–	850	–	–	850
Deferred income	233	158	–	–	–	–
Retention payable	180	–	–	–	–	–
	5,136	7,399	6,829	973	2,436	2,376
Non-current:						
Deferred income	2,738	2,796	–	–	–	–
Retention payable	–	1,173	1,868	–	–	–
Rental amortisation	294	348	200	–	–	–
	3,032	4,317	2,068	–	–	–
Less:						
GST payables	(189)	(412)	–	(31)	(28)	(26)
Contract liabilities	(53)	(81)	(90)	–	–	–
Contingent consideration for business combination	–	–	(850)	–	–	(850)
Deferred income	(2,971)	(2,954)	–	–	–	–
Rental amortisation	(294)	(348)	(200)	–	–	–
Other liabilities representing financial liabilities carried at amortised cost	4,661	7,921	7,757	942	2,408	1,500

Contract liabilities

These relate to the Group's obligation to transfer services to customers for which the Group has received advances from. Significant changes in contract liabilities are explained as below:

	Group	
	2019 \$'000	2018 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	81	90
Advances received from customers but performance obligations not yet satisfied at the end of the year	53	81

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

25. Other liabilities (cont'd)

Contingent consideration for business combination recognised in the previous financial year

On 15 December 2015, the Group acquired a 70% equity interest in Marquis.

As part of the purchase agreement with the previous shareholders of Marquis, a portion of the consideration, 5,000,000 ordinary shares of the Company, was determined to be contingent on the performance of Marquis. This consideration is dependent on Marquis achieving a net profit before tax of \$2,800,000 within the period from 1 December 2015 and 30 November 2017.

As at 31 May 2018, the management has revalued the contingent consideration and the reduced contingent consideration is as follows:

	Group \$'000
Initial fair value of contingent consideration at acquisition date	385
Fair value adjusted as at 1 June 2017	465
Financial liability for the contingent consideration as at 1 June 2017	850
Fair value adjustment as at 31 May 2018	(315)
Financial liability for the contingent consideration as at 31 May 2018, representing total consideration paid	<u>535</u>

As at 31 May 2018, the consideration of \$535,000 was paid to one of the previous shareholders of Marquis through the issue of shares of the Group.

26. Borrowings

	Group			Company		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
Current:						
Bank loan (secured)	9,295	21,876	7,655	–	–	–
Non-current:						
Bank loan (secured)	59,995	52,911	49,323	–	–	–
Total borrowings	<u>69,290</u>	<u>74,787</u>	<u>56,978</u>	<u>–</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

26. Borrowings (cont'd)

The Group's bank borrowings comprise the following:

(i) 5-year RMB bank term loan

During the year, the Group re-financed a 5-year term loan of RMB 5,067,000 (\$1,012,000) by repaying down the principal amount. The original term loan bore interest at 120% of the People's Republic of China's central bank lending rate per annum or at such other legally approved rates as the Bank may stipulate from time to time at its absolute discretion. The term loan is secured by legal mortgage of the land use rights and warehouse of the subsidiary, and corporate guarantee from the Company.

The re-financed term loan of RMB 2,964,000 (\$592,000) has a 2.5-year term, which bore interest at 125% of the People's Republic of China's central bank lending rate per annum or at such other legally approved rates as the Bank may stipulate from time to time at its absolute discretion. The first principal instalment will be repayable 6 months from the first drawdown date over 6 equal instalments.

(ii) 5-year RMB bank term loan

The 5-year term loan of RMB 7,000,000 (\$1,393,000) bore interest at 125% of the People's Republic of China's central bank lending rate per annum or at such other rates as the Bank may stipulate from time to time at its absolute discretion. The term loan is secured by legal mortgage of the land use rights and warehouse of the subsidiary. The principal amount is repayable over 10 equal instalments

(iii) 18-year SGD commercial property loan

The 18-year SGD commercial property loan of \$25,600,000 bore interest at 4.07% per annum below the Bank's Commercial Financing Rate ("CFR") for the 1st year, 3.77% per annum below the Bank's CFR for the 2nd year, 3.47% per annum below the Bank's CFR for the 3rd year and the Bank's CFR for the subsequent years. The loan shall be repaid over 216 monthly instalments after its first drawdown. The term loan is secured by first legal mortgage of the leasehold land, buildings and improvements of a subsidiary and corporate guarantee from the Company and a subsidiary.

Within the facilities, there is an additional Money Market Loan ("MML") of \$1,500,000 and a 5-year term loan of \$500,000, which bore interest of 2.25% per annum over the Bank's 3-month Cost of Funds or 2.25% per annum over the 3-month SWAP Offer Rate, whichever is higher, or at such other rates as the Bank may stipulate from time to time at its absolute discretion.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

26. Borrowings (cont'd)

(iv) 10-year SGD equipment loan

The 10-year SGD equipment loan of \$3,573,000 bore interest at 1.50% per annum over the prevailing 3-month SWAP Offer Rate or 1.50% per annum over the prevailing 3-month Cost of Funds, whichever is the higher, or at such other rates as the Bank may stipulate from time to time at its absolute discretion. This term loan is for the purpose of financing equipment purchase for 39 Benoi Road.

The loan shall be repaid over 120 fixed monthly instalments. The term loan is secured by first legal mortgage of the equipment and corporate guarantee from the Company.

(v) 5-year USD term loan

During the year, the Group re-financed the 5-year USD term loan of US\$4,000,000 (\$5,516,000) by repaying down the principal amount. The original term loan bore interest at 3.00% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate or 3.00% per annum over the prevailing 3-month Cost of Funds, whichever is the higher, or at such other rates as the Bank may stipulate from time to time at its absolute discretion. The loan shall be repaid over 13 fixed quarterly instalments and a final lump sum payment on the fifth year from its first drawdown. The term loan is secured by second legal mortgage of the leasehold land, buildings and improvements of a subsidiary and proportionate corporate guarantee from the Company.

The re-financed term loan of US\$1,143,000 (\$1,576,000) has a 2 year term, bore interest at 3.00% per annum over the prevailing 3-month London Inter Bank Offer Rate or 3.00% per annum over the prevailing 3-month Cost of Funds, whichever is the higher, or at such other rates as the Bank may stipulate from time to time at its absolute discretion. The principal amount will be repayable over 8 equal instalments.

(vi) 8-year SGD commercial property loan

The 8-year SGD commercial property loan of \$4,320,000 bore interest at the Bank's prevailing Enterprise Financing Rate ("EFR") minus 4.12% for the 1st year and 2nd year and at the prevailing EFR for the subsequent years. The term loan is secured by first legal mortgage of the leasehold land, buildings and improvements of a subsidiary and proportionate corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

26. Borrowings (cont'd)

(vii) 12-year SGD term loan

During the year, the Group has re-financed the following loans:

i) 5-year SGD commercial property loan

In the previous year, the 5-year SGD commercial property loan of \$20,480,000 bore interest at 1.75% per annum over the prevailing 3-month SWAP Offer Rate or 1.75% per annum over the prevailing 3-month Cost of Funds. The loan shall be repaid over 59 fixed monthly instalments and a final lump sum payment on the fifth year from its first drawdown.

ii) 15-year SGD term loan

In the previous year, the 15-year SGD term loan of \$36,000,000 bore interest at 1.50% per annum over the applicable 3-month SWAP Offer Rate or at such other rates as the Bank may stipulate from time to time at its absolute discretion. The loan shall have successive interest periods of 3-months except for the last interest period which shall be a period equivalent to the remaining tenor of the term loan. The term loan is for the purpose of financing the development at 39 Benoi Road.

The re-financed loan is a 12-year SGD term loan of \$45,092,000, bore interest at 1.60% per annum over the applicable 3-month SWAP Offer Rate, or 1.60% per annum over the prevailing 3-month Cost of Funds ("COF"), whichever is the higher, or at such other rates as the Bank may stipulate from time to time at its absolute discretion. The loan shall have successive interest periods of 3-months except for the last interest period which shall be a period equivalent to the remaining tenor of the term loan. The term loan is secured by first legal mortgage of development and leasehold land, buildings and improvements of subsidiary, and corporate guarantee from the Company.

(viii) 3-year RMB bank term loan

The 3-year term loan of RMB 8,000,000 (\$1,597,000) bore interest at 150% of the People's Republic of China's central bank lending rate per annum. The term loan is served by mortgage of land and ready-mix plant. The first principal instalment will be repayable on the 12th month from the first drawdown date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

26. Borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	2018 \$'000	Cash flows \$'000	Acquisition \$'000	Foreign Exchange Movement \$'000	Other \$'000	2019 \$'000
Bank loans						
- Current	21,876	(8,874)	–	(2)	(3,705)	9,295
- Non-current	52,911	3,388	–	(9)	3,705	59,995
Finance leases						
- Current	1,386	(1,616)	249	(19)	1,193	1,194
- Non-current	2,224	–	1,423	–	(1,193)	2,453
Total	78,397	(7,102)	1,672	(30)	–	72,937

	2017 \$'000	Cash flows \$'000	Acquisition \$'000	Foreign Exchange Movement \$'000	Other \$'000	2018 \$'000
Bank loans						
- Current	7,655	(4,583)	–	–	18,804	21,876
- Non-current	49,323	22,403	–	(11)	(18,804)	52,911
Finance leases						
- Current	1,772	(1,950)	133	18	1,413	1,386
- Non-current	2,391	–	1,231	15	(1,413)	2,224
Total	61,141	15,870	1,364	22	–	78,397

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time and accretion of interests.

As at 31 May 2019, 31 May 2018 and 1 June 2017, all the financial covenants on the above bank borrowings have been fully complied with.

The Company does not expect to incur any liabilities arising from the corporate guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

27. Deferred tax

Deferred tax as at 31 May relates to the following:

	Group			Company		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
	(Restated)		(Restated)			
Deferred tax liabilities:						
Tax effect of temporary differences in excess of capital allowances	258	139	136	–	–	–
Fair value adjustments on acquisition of subsidiary	185	310	522	–	–	–
Others	(10)	–	(12)	–	–	–
	433	449	646	–	–	–

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
	(Restated)			
At 1 June	449	646	–	–
Tax (credited)/charged to profit or loss				
- Current year (Note 8(a))	(101)	(309)	–	–
- Prior year (Note 8(a))	85	114	–	–
Others	–	(2)	–	–
At 31 May	433	449	–	–

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately \$5,390,000 (2018: \$344,000, 2017: \$596,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

27. Deferred tax (cont'd)

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (2018: \$Nil, 2017: \$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries of the Group as the Group has control over the distribution of the earnings and has determined that the undistributed earnings of the subsidiaries will not be distributed in the foreseeable future. Such temporary differences amounted to \$2,014,000 (2018: \$Nil, 2017: \$Nil).

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements, as there were no dividends declared during the financial year.

28. Finance lease liabilities

The Group has finance leases for certain items of plant and equipment. These leases have no purchase options and escalation clauses.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group					
	31 May 2019		31 May 2018		1 June 2017	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not later than one year	1,280	1,194	1,484	1,386	1,931	1,772
Later than one year but not later than five years	2,579	2,453	2,329	2,224	2,509	2,391
Total minimum lease payments	3,859	3,647	3,813	3,610	4,440	4,163
Less: Amounts representing finance charges	(212)	–	(203)	–	(277)	–
Present value of minimum lease payments	3,647	3,647	3,610	3,610	4,163	4,163

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

28. Finance lease liabilities (cont'd)

	Company					
	31 May 2019		31 May 2018		1 June 2017	
	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000
Not later than one year	23	22	22	20	22	20
Later than one year but not later than five years	2	2	24	24	46	44
Total minimum lease payments	25	24	46	44	68	64
Less: Amounts representing finance charges	(1)	–	(2)	–	(4)	–
Present value of minimum lease payments	24	24	44	44	64	64

Obligations under finance lease

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is between 3 to 5 years (2018: 3 to 5 years, 2017: 3 to 5 years). The interest rates for finance leases range from 1.4% to 3.50% (2018: 1.4% to 4.8%, 2017: 1.4% to 4.8%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in respective entities' functional currency. The obligations under finance leases are secured by the lessor's charge over the leased assets and corporate guarantees provided by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

29. Trade and other payables

	Group			Company		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
Trade and other payables (current):						
Trade payables	5,351	5,161	3,272	–	–	–
Other payables	7,955	2,648	3,711	51	100	104
Amounts due to subsidiaries	–	–	–	883	3,170	1,944
Amount due to associate	–	5	–	–	–	–
Loan from subsidiary	–	–	–	16,972	15,878	16,729
Loans from non-controlling interests	591	595	611	–	–	–
Total trade and other payables	13,897	8,409	7,594	17,906	19,148	18,777
Add: Borrowings (Note 26)	69,290	74,787	56,978	–	–	–
Finance lease liabilities (Note 28)	3,647	3,610	4,163	24	44	64
Other liabilities (Note 25)	4,661	7,921	7,757	942	2,408	1,500
Total financial liabilities carried at amortised cost	91,495	94,727	76,492	18,872	21,600	20,341

Trade and other payables are unsecured, non-interest bearing and repayment is based on payment terms and conditions agreed.

Trade and other payables denominated in foreign currencies as at 31 May are as follows:

	Group			Company		
	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000	31 May 2019 \$'000	31 May 2018 \$'000	1 June 2017 \$'000
United States Dollar	382	175	84	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

29. Trade and other payables (cont'd)

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free, and repayable on demand and are to be settled in cash.

The amount due to associate is trade in nature, unsecured, non-interest bearing and are on 30 days term.

The loan from subsidiary is unsecured, interest bearing at 1.50% (2018: 1.75%, 2017: 1.75%) per annum over the prevailing 3-month SWAP Offer Rate or 1.50% (2018: 1.75%, 2017: 1.75%) per annum over the prevailing 3-month Cost of Funds. The loan is repayable on demand.

The loans from non-controlling interests are unsecured, interest bearing between 0% to 6% (2018: 0% to 6%, 2017: 0% to 6%) per annum and are repayable within 12 months after the reporting date.

30. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		
	31 May 2019	31 May 2018	1 June 2017
	\$'000	\$'000	\$'000
Capital commitments in respect of leasehold properties	–	–	22,673
Capital commitments in respect of construction of a ready-mix plant	–	–	493
Capital commitments in respect of property, plant and equipment	41	1,908	1,349

(b) Operating lease commitments - as lessee

In addition to the land use rights disclosed in Note 11, the Group's existing operating lease payments mainly represent rentals payable by the Group for its leasehold premises, offices and warehouses in Singapore located at No. 6 Pioneer Walk, No. 39 Benoi Road, No. 30 Pioneer Road and 7 Kwong Min Road. The properties located at No. 6 Pioneer Walk, No. 39 Benoi Road and 7 Kwong Min Road are leased from Jurong Town Corporation ("JTC") for a period of 22, 17 and 12 years respectively, while the property located at 30 Pioneer Road is leased from Viva Trust for a period of 5 years.

Rentals from JTC are subject to escalation clauses but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the below amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

30. Commitments (cont'd)

(b) *Operating lease commitments - as lessee (cont'd)*

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 May 2019 amounted to \$7,407,000 (2018: \$7,111,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2019	2018
	\$'000	\$'000
Not later than one year	7,794	6,125
Later than one year but not later than five years	10,390	14,565
Later than five years	10,233	20,805
	28,417	41,495

(c) *Operating lease income commitments - as lessor*

Operating lease income mainly represents rental receivables by the Group from the provision of warehousing at No. 6 Pioneer Walk, No. 39 Benoi Road, 7 Kwong Min Road in Singapore and No. 338 Yesheng Road in Shanghai, People's Republic of China. These non-cancellable leases have remaining lease terms of between 1 month and 7 years (2018: 1 month and 8 years).

Future minimum rental receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2019	2018
	\$'000	\$'000
Not later than one year	1,740	2,606
Later than one year but not later than five years	1,057	4,463
Later than five years	-	1,512
	2,797	8,581

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

31. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (i) Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 – Unobservable inputs for the asset and liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of their fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group 31 May 2019			
Fair value measurements at the end of the reporting period using			
Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Recurring fair value measurements			
Assets			
Financial assets			
Financial assets at fair value through profit or loss			
- Quoted equity shares	285	–	285
Contingent consideration for business combination			
	–	1,983	1,983

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

31. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

Group 31 May 2018			
Fair value measurements at the end of the reporting period using			
Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Recurring fair value measurements			
Assets			
Financial assets			
Available-for-sale investments			
- Quoted equity shares	640	–	640

Group 1 June 2017			
Fair value measurements at the end of the reporting period using			
Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Recurring fair value measurements			
Assets			
Financial assets			
Available-for-sale investments			
- Quoted equity shares	697	–	697
Liabilities			
Financial liabilities			
Contingent consideration for business combination			
–	–	850	850

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

31. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about their fair value measurements using significant unobservable inputs (Level 3).

Description	Fair value at 31 May 2019 \$'000	Fair value at 31 May 2018 \$'000	Fair value at 1 June 2017 \$'000	Valuation techniques	Key unobservable Inputs	Range
Recurring fair value measurements						
Financial liability						
Contingent consideration for business combination	–	–	850	Discounted cash flow	Probability of meeting contractual earnings target	95% - 100%

For the contingent consideration for Marquis in the previous financial years, a reasonably possible change in the probability of meeting the contractual earnings target would not result in a significant change in the fair value measurement.

(ii) Movements in Level 3 assets and liabilities measured at fair value

	Group 2018 Fair value measurements using significant unobservable inputs (Level 3) Financial liability - Contingent consideration \$'000
Opening balance	850
Fair value adjustment	(315)
Transfer of treasury shares	(544)
Others	9
Closing balance	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

31. Fair value of assets and liabilities (cont'd)

(c) **Level 3 fair value measurements (cont'd)**

(iii) Valuation policies and procedures

The Group's Chief Financial Officer ("CFO") oversees the Group's overall accounting and finance function including treasury functions, risk management and investor relations. In this regard, the CFO reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions that are relevant to the valuation if such information are reasonably available.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO documents and reports its analysis and results of the external valuations to the Board of Directors.

(d) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Management has determined that the carrying amounts of cash and short-term deposit, trade and other receivables, trade and other payables, other liabilities and finance lease liabilities, based on their notional amounts, reasonably approximate their fair values because they are short-term in nature or the interest rates are approximate market interest rates. The carrying amounts of interest bearing term loans at floating rates reflect fair values because they are all re-priced to the market interest rates near the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Board of Directors reviews and approves policies and procedures for the management of these risks, which are executed by the Chief Executive Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments that are past due 120 days, based on the Group's historical estimate.

To assess whether there is a significant increase in credit risk, the Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- Actual or expected significant changes in the operating results of the counterparty

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 120 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Company's historical observed default rates analysed in accordance to days past due by grouping of customer, which also incorporate forward looking information such as forecast of economic conditions, leading to an increased number of defaults.

	Current \$'000	Less than 30 days past due \$'000	31 to 60 days past due \$'000	61 to 90 days past due \$'000	More than 91 days past due \$'000	Total \$'000
31 May 2019						
Gross carrying amount	7,903	4,929	5,601	1,976	5,056	25,465
Loss allowance provision	-	-	-	-	(181)	(181)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Amounts due from related companies

The Group and Company provides for lifetime expected credit losses for amounts due from related companies and subsidiaries using the probability of default approach. In determining expected credit losses, the Group and Company considers events such as significant adverse changes in financial conditions and changes in the operating results of the related companies and subsidiaries and determined that significant increase in credit risk occur when there is an increase in likelihood of default.

The loss allowance provision for amounts due from related companies and subsidiaries are as follow:

	Group 2019 \$'000	Company 2019 \$'000
Movements in allowance account:		
At 1 June	–	1,800
Charge for the year, recorded in administrative expenses	–	2,397
At 31 May	–	4,197

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- an amount of \$89,867,000 (2018: \$85,915,000, 2017: \$70,919,000) relating to corporate guarantees provided by the Company to the financial institutions on its subsidiaries; borrowings and other banking facilities.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less \$'000	One to five years \$'000	Total \$'000
Group			
2019			
<i>Financial assets:</i>			
Trade and other receivables	29,310	–	29,310
Contingent consideration for business combination	1,983	–	1,983
Cash and short-term deposit	11,661	–	11,661
Total undiscounted financial assets	42,954	–	42,954
<i>Financial liabilities:</i>			
Borrowings	10,859	71,338	82,197
Loans from non-controlling interests	626	–	626
Trade and other payables	13,306	–	13,306
Other liabilities	4,661	–	4,661
Finance lease liabilities	1,280	2,579	3,859
Total undiscounted financial liabilities	30,732	73,917	104,649
Total net undiscounted financial assets/(liabilities)	12,222	(73,917)	(61,695)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	One year or less \$'000	One to five years \$'000	Total \$'000
Group			
2018			
<i>Financial assets:</i>			
Trade and other receivables	22,770	–	22,770
Cash and short-term deposit	14,820	–	14,820
Total undiscounted financial assets	37,590	–	37,590
<i>Financial liabilities:</i>			
Borrowings	21,876	55,392	77,268
Amount due to associate	5	–	5
Loans from non-controlling interests	631	–	631
Trade and other payables	7,809	–	7,809
Other liabilities	6,748	1,173	7,921
Finance lease liabilities	1,484	2,329	3,813
Total undiscounted financial liabilities	38,553	58,894	97,447
Total net undiscounted financial liabilities	(963)	(58,894)	(59,857)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	One year or less \$'000	One to five years \$'000	Total \$'000
Group			
2017			
<i>Financial assets:</i>			
Trade and other receivables	18,986	–	18,986
Cash and short-term deposit	12,762	–	12,762
Total undiscounted financial assets	31,748	–	31,748
<i>Financial liabilities:</i>			
Borrowings	8,756	52,573	61,329
Loans from non-controlling interests	647	–	647
Trade and other payables	6,983	–	6,983
Other liabilities	5,889	1,868	7,757
Contingent consideration for business combination	850	–	850
Finance lease liabilities	1,931	2,509	4,440
Total undiscounted financial liabilities	25,056	56,950	82,006
Total net undiscounted financial assets/(liabilities)	6,692	(56,950)	(50,258)
Company			
2019			
<i>Financial assets:</i>			
Trade and other receivables	8,396	4,676	13,072
Contingent consideration for business combination	1,983	–	1,983
Cash and short-term deposit	2,988	–	2,988
Total undiscounted financial assets	13,367	4,676	18,043
<i>Financial liabilities:</i>			
Trade and other payables	17,906	–	17,906
Other liabilities	942	–	942
Finance lease liabilities	23	2	25
Total undiscounted financial liabilities	18,871	2	18,873
Total net undiscounted financial (liabilities)/assets	(5,504)	4,674	(830)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	One year or less \$'000	One to five years \$'000	Total \$'000
Company			
2018			
Financial assets:			
Trade and other receivables	13,413	5,710	19,123
Cash and short-term deposit	123	–	123
Total undiscounted financial assets	13,536	5,710	19,246
Financial liabilities:			
Trade and other payables	19,148	–	19,148
Other liabilities	2,408	–	2,408
Finance lease liabilities	22	24	46
Total undiscounted financial liabilities	21,578	24	21,602
Total net undiscounted financial (liabilities)/assets	(8,042)	5,686	(2,356)
Company			
2017			
Financial assets:			
Trade and other receivables	12,459	5,517	17,976
Cash and short-term deposit	528	–	528
Total undiscounted financial assets	12,987	5,517	18,504
Financial liabilities:			
Trade and other payables	18,777	–	18,777
Other liabilities	1,500	–	1,500
Contingent consideration for business combination	850	–	850
Finance lease liabilities	22	46	68
Total undiscounted financial liabilities	21,149	46	21,195
Total net undiscounted financial (liabilities)/assets	(8,162)	5,471	(2,691)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the corporate guarantee contracts are allocated to the earliest period in which the guarantees could be called.

	Company			Total \$'000
	One year or less \$'000	One to five years \$'000	Over five years \$'000	
2019				
Financial guarantees	9,836	25,654	35,155	70,645
2018				
Financial guarantees	23,193	40,044	11,094	74,331
2017				
Financial guarantees	11,439	33,954	15,874	61,267

(c) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Singapore Dollar (SGD), and Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly USD.

The Group also holds cash denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including People's Republic of China (PRC) and Indonesia (IND). The Group's net investments in PRC and IND are not hedged as currency positions in RMB and IND are considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies (cont'd)

(c) **Foreign currency risk (cont'd)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD and RMB exchange rates against the functional currency of the Group entities, with all other variables held constant.

		Group	
		Increase/ (decrease) Profit before tax	(Decrease)/ increase loss before tax
		2019	2018
		\$'000	\$'000
<u>Against SGD</u>			
USD -	Strengthened 3% (2018: 3%)	209	(175)
	Weakened 3% (2018: 3%)	(209)	175
RMB -	Strengthened 3% (2018: 3%)	(86)	127
	Weakened 3% (2018: 3%)	86	(127)

(d) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to subsidiaries and loans from non-controlling interests. The Group does not hedge its fixed rate loans and borrowings.

The Group and Company manage its exposure to interest risk by sourcing for the most favourable interest rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 75 basis points lower/higher with all other variables held constant, the Group's loss after tax would have been \$426,000 lower/higher (2018: \$421,000), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

32. Financial risk management objectives and policies (cont'd)

(e) **Market price risk**

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the Singapore Exchange Securities Trading Limited ("SGX") and the Australian Securities Exchange ("ASX") and are classified as financial asset at fair value through profit or loss as at 31 May 2019 and available-for-sale investments as at 31 May 2018 and 1 June 2017.

Sensitivity analysis for market price risk

At the end of the reporting period of 31 May 2019, if the share prices of the quoted shares on the SGX and ASX had been 5% higher or lower with all other variables held constant, the Group's fair value adjustments in profit or loss will have been \$12,000 higher or lower, arising as a result of an increase or decrease in the fair value of equity instruments classified as financial asset at fair value through profit or loss.

At the end of the reporting period of 31 May 2018, if the share prices of the quoted shares on the SGX and ASX had been 5% higher or lower with all other variables held constant, the Group's fair value adjustments reserve in equity/other comprehensive income would have been \$27,000 higher or lower, arising as a result of an increase or decrease in the fair value of equity instruments classified as available-for-sale.

33. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 May 2019 and 31 May 2018.

One of the externally imposed capital requirements for the Group to maintain its listing on the Singapore Stock Exchange is to have share capital with a free float of at least 10% of its ordinary shares. Management receives a report from the registrar regularly on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

The Company and certain subsidiaries of the Group are subject to financial covenants for credit facilities provided by banks as disclosed in Note 26. These externally imposed capital requirements have been complied with by the Company and its subsidiaries for the financial years ended 31 May 2019, 31 May 2018 and as at 1 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

33. Capital management (cont'd)

The Group monitors the capital using a gearing ratio, which is debt divided by total equity. The Group's debts include borrowings, finance lease liabilities and loans from non-controlling interests.

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
	(Restated)			
Debt	73,528	78,992	24	44
Total equity	73,752	76,882	47,055	52,920
Total equity and debt	147,280	155,874	47,079	52,964
Gearing ratio	49.9%	50.7%	0.05%	0.08%

34. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable segments as follows:

- The investment holding segment is involved in Group level corporate services and investment activities.
- The third party logistics segment provides integrated and comprehensive logistics services which can be classified into non-ferrous metal storage; general warehousing; containers trucking; conventional transportation; projects logistics and international multimodal freight forwarding services.
- The shipping logistics segment is involved in the business of building and chartering of vessels.
- The infrastructural logistics segment is involved in the business of producing and manufacturing of environmental friendly lightweight brick, building materials and cement products.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Tax expense is managed on a group basis and is not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

34. Segment information (cont'd)

	Investment holding \$'000	Third party logistics \$'000	Shipping logistics (discontinued operation) \$'000	Infrastructural logistics \$'000	Eliminations \$'000	Total \$'000
31 May 2019						
Revenue						
- External customers	-	63,769	-	24,475	-	88,244
- Inter-segment ⁽¹⁾	-	216	-	-	(216)	-
Total revenue	-	63,985	-	24,475	(216)	88,244
Results:	(914)	7,528	-	5,859	(575)	11,898
Depreciation and amortisation	(76)	(8,041)	-	(938)	-	(9,055)
Allowance for doubtful trade receivables	-	(16)	-	-	-	(16)
(Loss)/gain on disposal of investment in associate	(368)	-	-	-	906	538
Property, plant and equipment written off	-	(227)	-	-	-	(227)
Fair value loss on financial assets	(355)	-	-	-	-	(355)
Impairment loss on investment in subsidiary	(4,000)	-	-	-	4,000	-
Fair value gain on contingent consideration	1,983	-	-	-	-	1,983
Impairment loss on goodwill	(1,912)	-	-	-	-	(1,912)
Gain on disposal of property, plant and equipment	-	9	-	-	-	9
Share of results of associates	-	(154)	-	-	-	(154)
Dividend income	840	-	-	-	(840)	-
Interest income	1	634	-	5	(592)	48
Finance costs	(593)	(2,636)	-	(108)	758	(2,579)
Segment (loss)/profit	(5,394)	(2,903)	-	4,818	3,657	178
Tax expense						(2,106)
Loss for the year						(1,928)
Assets:						
Investments in associates	-	14	-	-	-	14
Additions to non-current assets ⁽²⁾	23	3,931	-	41	-	3,995
Segment assets ⁽³⁾	69,021	154,453	-	20,126	(73,587)	170,013
Segment liabilities ⁽³⁾	3,049	101,246	-	8,678	(17,971)	95,002
Unallocated liabilities:						
Tax payable						826
Deferred tax liabilities						433
Total liabilities						96,261

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

34. Segment information (cont'd)

- (1) Inter-segment revenues are eliminated on consolidation.
- (2) Consist of additions to property, plant and equipment.
- (3) Inter-segment assets and liabilities are eliminated to arrive at the total assets and liabilities reported in the consolidated balance sheet.

	Investment holding \$'000	Third party logistics \$'000	Shipping logistics (discontinued operation) \$'000	Infrastructural logistics \$'000	Eliminations \$'000	Total \$'000
31 May 2018 (Restated)						
Revenue						
- External customers	-	53,278	-	18,186	-	71,464
- Inter-segment ⁽¹⁾	-	262	-	-	(262)	-
Total revenue	-	53,540	-	18,186	(262)	71,464
Results:	(133)	6,702	-	3,318	(2,115)	7,772
Depreciation and amortisation	(88)	(5,489)	-	(983)	-	(6,560)
Allowance for doubtful trade receivables	-	(8)	-	-	-	(8)
Bad debts charged	-	(6)	-	-	-	(6)
Loss on disposal of investment in joint venture	-	-	(4,823)	-	-	(4,823)
Property, plant and equipment written off	-	(2)	-	-	-	(2)
Impairment of investments in subsidiaries	(7,602)	-	-	-	7,602	-
Impairment of available-for-sale investments	(35)	-	-	-	-	(35)
Gain on disposal of property, plant and equipment	-	203	-	-	-	203
Share of results of associates	-	(337)	-	-	-	(337)
Share of results of joint venture	-	-	(2,651)	-	-	(2,651)
Dividend income	490	-	-	-	(490)	-
Interest income	-	512	-	1	(484)	29
Finance costs	(486)	(1,866)	-	(234)	641	(1,945)
Segment (loss)/profit	(7,854)	(291)	(7,474)	2,102	5,154	(8,363)
Tax expense						(963)
Loss for the year						(9,326)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

34. Segment information (cont'd)

	Investment holding \$'000	Third party logistics \$'000	Shipping logistics (discontinued operation) \$'000	Infrastructural logistics \$'000	Eliminations \$'000	Total \$'000
31 May 2018 (Restated) (cont'd)						
Assets:						
Investments in associates	2,505	–	–	–	–	2,505
Additions to non-current assets ⁽²⁾	74	21,045	–	474	–	21,593
Segment assets ⁽³⁾	74,550	161,080	7,408	16,956	(84,070)	176,724
Segment liabilities ⁽³⁾	5,750	103,904	5,347	8,311	(24,790)	98,522
Unallocated liabilities:						
Tax payable						871
Deferred tax liabilities						449
Total liabilities						99,842

⁽¹⁾ Inter-segment revenues are eliminated on consolidation.

⁽²⁾ Consist of additions to property, plant and equipment.

⁽³⁾ Inter-segment assets and liabilities are eliminated to arrive at the total assets and liabilities reported in the consolidated balance sheet.

	Investment holding \$'000	Third party logistics \$'000	Shipping logistics (discontinued operation) \$'000	Infrastructural logistics \$'000	Eliminations \$'000	Total \$'000
1 June 2017 (Restated)						
Assets:						
Investment in Joint venture	–	–	9,228	–	–	9,228
Investments in associates	2,818	–	–	–	–	2,818
Additions to non-current assets ⁽¹⁾	36	26,054	–	1,776	–	27,866
Segment assets ⁽²⁾	81,382	143,486	13,914	14,569	(87,165)	166,186
Segment liabilities ⁽²⁾	4,490	82,521	3,906	7,674	(20,959)	77,632
Unallocated liabilities:						
Tax payable						2,214
Deferred tax liabilities						646
Total liabilities						80,492

⁽¹⁾ Consist of additions to property, plant and equipment.

⁽²⁾ Inter-segment assets and liabilities are eliminated to arrive at the total assets and liabilities reported in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

34. Segment information (cont'd)

Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets ⁽¹⁾		
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Singapore	62,951	52,270	100,866	109,271	94,869
People's Republic of China	25,293	19,194	23,295	25,699	25,730
	88,244	71,464	124,161	134,970	120,599

⁽¹⁾ Non-current assets information presented above consist of property, plant and equipment, land use rights and intangible assets as presented in the consolidated balance sheet.

Information about major customer

Revenue from one major customer amount to \$14,111,000 (2018: \$12,187,000) for the financial year ended 2019, arising from sales by the third party logistics segment.

35. Related party transactions

(a) Related parties

Other than disclosed elsewhere in the financial statements, the Group had significant transactions with related parties on terms agreed between the parties as follows:

	Group	
	2019 \$'000	2018 \$'000
Lease of warehouse space to an associate	1,140	1,295
Services rendered to an associate	167	1,137
Services received from an associate	(3)	(3)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

35. Related party transactions (cont'd)

(b) Key management compensation

	Group	
	2019	2018
	\$'000	\$'000
Directors of the Company		
- Salaries, fees and benefits-in-kind	839	962
- Contribution to defined contribution plans	45	47
Directors of subsidiaries		
- Salaries, fees and benefits-in-kind	1,106	1,192
- Contribution to defined contribution plans	79	70
Other key management personnel		
- Salaries, fees and benefits-in-kind	507	387
- Contribution to defined contribution plans	57	43

Key management personnel are the Directors and key personnel having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

36. Events occurring after the reporting period

- (a) On 18 June 2019, the Company has divested its wholly owned subsidiary, G-Chem Logistics Pte Ltd ("G-Chem"), to Kleio One-Solution Pte. Ltd for a sales consideration of \$1.00. Thereafter, G-Chem ceased to be a subsidiary of the Group.
- (b) On 22 July 2019, the Company has completed the placement of 100,000,000 shares ("Placement Shares") at \$0.07 cents per share. Following the allotment and issuance of the Placement Shares, the Company's total issued and paid-up shares (excluding treasury shares) has increased from 688,531,890 shares to 788,531,890 shares.

37. Discontinued operation and disposal of Joint Venture

On 31 May 2018, the Group completed the divestment of the Group's 50% stake in Ocean Latitude (Note 15) to Sunrise Marine Limited (the Group's Joint Venture Partner), for a cash consideration of US\$1,080,000. Thereafter, Ocean Latitude ceased to be a joint venture of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2019

37. Discontinued operation and disposal of Joint Venture (cont'd)

As at 31 May 2018, the results of Ocean Latitude have been presented separately in the consolidated income statement as a discontinued operation. The comparative figures have been re-presented to report separately profit or loss items from continuing and discontinued operations.

Income statement

The results of Ocean Latitude for the years ended 31 May are as follows:

	Group 2018 \$'000
Share of results	(2,651)
Loss on disposal of joint venture	(4,823)
Loss from discontinued operation, net of tax	<u>(7,474)</u>

Loss per share

	Group 2018
Loss per share from discontinued operation attributable to owners of the Company	
- Basic and diluted (cents per share)	<u>(1.09)</u>

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These losses and share data are presented in the tables in Note 9(a).

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 May 2019 were authorised for issue in accordance with a resolution of the Directors on 28 August 2019.

STATISTICS OF SHAREHOLDINGS

As at 16 August 2019

Class of shares	:	Ordinary shares
No. of shares (excluding treasury shares)	:	788,531,890
Voting rights	:	One vote per share

As at 16 August 2019, the total number of treasury shares held is 6,168,650 (0.78%) and there are no subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	Percentage (%)	Number of Shares	Percentage (%)
1 - 99	4	0.25	62	0.00
100 - 1,000	35	2.16	25,263	0.00
1,001 - 10,000	377	23.30	2,835,115	0.36
10,001 - 1,000,000	1,147	70.89	113,555,686	14.40
1,000,001 and above	55	3.40	672,115,764	85.24
TOTAL	1,618	100.00	788,531,890	100.00

TWENTY LARGEST SHAREHOLDERS

No	Name of Shareholder	Number of Shares Held	Percentage (%)*
1	UOB Kay Hian Pte Ltd	144,572,485	18.33
2	Qian Wen Hua	56,760,000	7.20
3	United Overseas Bank Nominees Pte Ltd	52,494,500	6.66
4	Spencer Tuppani (deceased)	48,158,250	6.11
5	Citibank Nominees Singapore Pte Ltd	38,348,500	4.86
6	Chen Jiang Nan	33,055,700	4.19
7	DBS Nominees Pte Ltd	31,041,500	3.94
8	Li Zi Yan	30,371,429	3.85
9	Neo Cheow Hui	27,445,300	3.48
10	Neo Hwee Lee	21,085,000	2.67
11	Wang Jianping	18,897,200	2.40
12	Chen Yong Hua	17,200,000	2.18
13	Neo Hwee Hoon (Liang Huifen)	15,186,000	1.92
14	Raffles Nominees (Pte) Limited	11,941,100	1.51
15	Tan Geok Choo (Chen Yuzhu)	9,287,300	1.18
16	Maybank Kim Eng Securities Pte Ltd	7,653,500	0.97
17	Chai Hwee Hoon Doreen	7,000,000	0.89
18	Tan Ai Meng	6,834,900	0.87
19	Hong Leong Finance Nominees Pte Ltd	6,479,900	0.82
20	Goh Lay Nah	5,650,000	0.72
		589,462,564	74.75

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary excluding the treasury shares and subsidiary holdings.

STATISTICS OF SHAREHOLDINGS

As at 16 August 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	Number of Shares		
		%	Deemed Interest	%
Chen Yong Hua ⁽¹⁾	17,200,000	2.18	50,000,000	6.34
Chen Li Rong ⁽²⁾	–	–	58,420,642	7.41
Qian Wen Hua	56,760,000	7.20	–	–
Zhu Jun Wen ⁽²⁾	–	–	56,645,429	7.18
Spencer Tuppani (deceased)	48,158,250	6.11	–	–

Note:

- ⁽¹⁾ Chen Yong Hua is deemed to be interested in 50,000,000 shares which is held by United Overseas Bank Nominees Pte Ltd on his behalf.
- ⁽²⁾ Zhu Jun Wen and Chen Li Rong are deemed to be interested in 56,645,429 and 58,420,642 shares respectively which is held by UOB Kay Hian Pte Ltd on their behalf.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 16 August 2019, 55.84% of the Company's shares are held in the hand of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual - Section B: Rules of Catalist of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of GKE Corporation Limited (“Company”) will be held at 39 Benoi Road #06-01 Singapore 627725 on Tuesday, 24 September 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors’ Statement of the Company and the Group for the financial year ended 31 May 2019 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve the payment of Directors’ fees of S\$121,425 for the financial year ended 31 May 2019. (2018: S\$156,000) **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulation 107 and 117 of the Constitution of the Company:

Regulation 107:

Mr. Andrew Chua Thiam Chwee

(Resolution 3)

Mr. Ho Ying Ming

(Resolution 4)

Regulation 117:

Mr. Wong Quee Quee, Jeffrey

(Resolution 5)

Mr. Loy Soo Chew

(Resolution 6)

[See Explanatory Note (i)]

4. To re-appoint Ernst & Young LLP, Public Accountants and Chartered Accountants, as the external auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
5. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 (“Companies Act”) and Rule 806 of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Catalist Rules”)**

That pursuant to Section 161 of the Companies Act and Rule 806 of Catalist Rules of the SGX-ST, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(“Share Issue Mandate”)

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

7. Proposed renewal of Share Purchase Mandate

THAT:

- (a) for the purposes of the Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued and fully-paid ordinary shares in the capital of the Company (“**Shares**”) not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:-
 - (i) on-market purchase(s) (each a “**Market Purchase**”) on the SGX-ST through the ready market, through one (1) or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) off-market purchase(s) (each an “**Off-Market Purchase**”) effected pursuant to an equal access scheme or schemes as defined in Section 76C of the Act as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Catalist Rules;

be and is hereby authorised and approved generally and unconditionally (“**Share Purchase Mandate**”);

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Act;
- (c) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:-
 - (i) the date on which the next AGM of the Company is held or required by law to be held;
 - (ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or
 - (iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;
- (d) in this Resolution:-

“**Maximum Limit**” means the number of Shares representing not more than ten per cent. (10%) of the total number of Shares as at the date of the passing of this Resolution, unless the Company has, at any time during the Relevant Period (as hereafter defined), effected a reduction of its share capital in accordance with the applicable provisions of the Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the capital reduction (excluding any Shares which are held as treasury shares as at that date);

NOTICE OF ANNUAL GENERAL MEETING

“Relevant Period” means the period commencing from the date on which the last AGM of the Company was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution is passed;

“Maximum Price”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for the Share purchased or acquired pursuant to the Share Purchase Mandate, as determined by the Directors, which shall not exceed:-

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price of the Shares;

where:-

“Average Closing Price” means the average of the closing market prices of a Share over the five (5) consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company and deemed to be adjusted in accordance with the Catalist Rules for any corporate action which occurs after the relevant five (5) day period;

“Highest Last Dealt Price” means the highest price transacted for a Share as recorded on the SGX-ST on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

“date of the making of the offer” means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (iii)]

(Resolution 9)

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 6 September 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr. Andrew Chua Thiam Chwee will, upon re-election as a Director of the Company, remain as the Independent Director of the Company, the Chairman of the Nominating Committee and a member of the Audit Committee and will be considered independent for the purpose of Rule 704(7) of the Catalyst Rules.

Mr. Ho Ying Ming will, upon re-election as a Director of the Company, remain as the Independent Director of the Company, the Chairman of the Remuneration Committee and a member of the Nominating Committee and will be considered independent for the purpose of Rule 704(7) of the Catalyst Rules.

Mr. Wong Quee Quee, Jeffrey will, upon re-election as a Director of the Company, remain as the Independent Director of the Company, a member of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(7) of the Catalyst Rules.

Mr. Loy Soo Chew will, upon re-election as a Director of the Company, remain as the Lead Independent Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee and will be considered independent for the purpose of Rule 704(7) of the Catalyst Rules.

Please refer to page 39 to 54 of the Annual Report for the detailed information for Mr. Andrew Chua Thiam Chwee, Mr. Ho Ying Ming, Mr. Wong Quee Quee, Jeffrey and Mr. Loy Soo Chew required pursuant to Rule 720(5) of the Catalyst Rules.

- (ii) Resolution 8 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a *pro rata* basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

- (iii) Resolution 9 above, if passed, will empower the Directors of the Company to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Purchase Mandate. This authority will continue in force until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting or the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated, whichever is the earlier. Information relating to this proposed Resolution is set out in the Addendum dated 6 September 2019 (in relation to the proposed renewal of the Share Purchase Mandate) attached to the Company's Annual Report 2019.

Notes:

1. A Member of the Company (other than a Relevant Intermediary) entitled to attend and vote at the AGM ("**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
3. Where a member (other than a Relevant Intermediary) appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
4. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 39 Benoi Road #06-01 Singapore 627725 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**GKE CORPORATION LIMITED**(Company Registration No. 200001941G)
(Incorporated in the Republic of Singapore)**ANNUAL GENERAL MEETING
PROXY FORM**

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We, _____ (Name) _____ (NRIC/Passport No)

of _____ (Address)

being a *member/members of **GKE CORPORATION LIMITED** ("Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting ("**Meeting**") of the Company to be held at 39 Benoi Road #06-01 Singapore 627725 on Tuesday, 24 September 2019 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

No.	Resolutions relating to:	No. of votes 'For'***	No. of votes 'Against'***
Ordinary Business			
1	Audited Financial Statements for the financial year ended 31 May 2019		
2	Approval of Directors' fees amounting to S\$121,425 for the financial year ended 31 May 2019		
3	Re-election of Mr. Andrew Chua Thiam Chwee as a Director		
4	Re-election of Mr. Ho Ying Ming as a Director		
5	Re-election of Mr. Wong Quee Quee, Jeffrey as a Director		
6	Re-election of Mr. Loy Soo Chew as a Director		
7	Re-appointment of Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
8	Authority to allot and issue shares		
9	Proposed renewal of Share Purchase Mandate		

** Voting will be conducted by poll. If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
And/or, Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 39 Benoi Road #06-01 Singapore 627725 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 September 2019.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Chen Yong Hua
*Executive Chairman and
Executive Director*

Mr. Neo Cheow Hui
*Chief Executive Officer and
Executive Director*

Ms. Qian Wen Hua
Executive Director

Mr. Loy Soo Chew
Lead Independent Director

Mr. Andrew Chua Thiam Chwee
Independent Director

Mr. Ho Ying Ming
Independent Director

Mr. Wong Quee Quee, Jeffrey
Independent Director

AUDIT COMMITTEE

Mr. Loy Soo Chew (Chairman)
Mr. Andrew Chua Thiam Chwee
Mr. Wong Quee Quee, Jeffrey

NOMINATING COMMITTEE

Mr. Andrew Chua (Chairman)
Mr. Ho Ying Ming
Mr. Wong Quee Quee, Jeffrey

REMUNERATION COMMITTEE

Mr. Ho Ying Ming (Chairman)
Mr. Loy Soo Chew
Mr. Wong Quee Quee, Jeffrey

REGISTERED OFFICE

39 Benoi Road #06-01
Singapore 627725
Tel: (65) 6261 7770
Fax: (65) 6266 2557
Website: www.gke.com.sg

COMPANY SECRETARY

Ms. Shirley Tan Sey Liy (ACS)

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

AUDITOR

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Mr. Philip Ling
Soon Hwa
Date of appointment: 1 June 2018

CONTINUING SPONSOR

RHT Capital Pte. Ltd.
9 Raffles Place, #29-01
Republic Plaza Tower 1
Singapore 048619
Tel: (65) 6381 6757
Registered Professional:
Mr. Nathaniel C.V.

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

DBS Bank
12 Marina Boulevard
MBFC Tower 3
Singapore 018982



(Company Registration No.: 200001941G)

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