GKE
CORPORATION LIMITED

# A LOGISTICAL STEP

Annual Report 2016

## OUR **VISION**

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

## OUR **MISSION**

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

## 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 practice 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 |

## CONTENTS

# CORPORATE PROFILE

**GKE** Corporation Limited（锦佳集团有限公司）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**" brand name. It provides total integrated and comprehensive warehousing & logistics solutions and services that include general warehousing, dangerous goods cargo storage (Class 2 and 3), conventional transportation, container trucking, project logistics, international multi-modal sea and air freight forwarding services as well as non-ferrous metal storage. It is also an approved London Metal Exchange ("LME") non-ferrous warehouse operator.

The Group's strategic investments include its marine and shipping logistics business through a 50% joint venture, Ocean Latitude Limited, which has constructed an 83,000m$^3$ liquefied gas carrier vessel to ride on the demand for liquefied gas as a cleaner fuel for industrial and domestic uses. The liquefied gas carrier vessel is currently chartered and deployed in the Middle East and Far East regions.

Another strategic investment is the infrastructural materials and services business. This business is carried out through its wholly-owned subsidiary, Wuzhou Xing Jian Readymix Co., Ltd. （梧州星建混凝土有限公司）which is primarily engaged in the manufacturing and supplying of ready-mix concrete products to the domestic infrastructural and construction sector in Wuzhou City, China. It has commenced commercial production in June 2016.

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

This annual report has been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ('SGX-ST'). The Company's 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.

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Name: Ms. Amanda Chen
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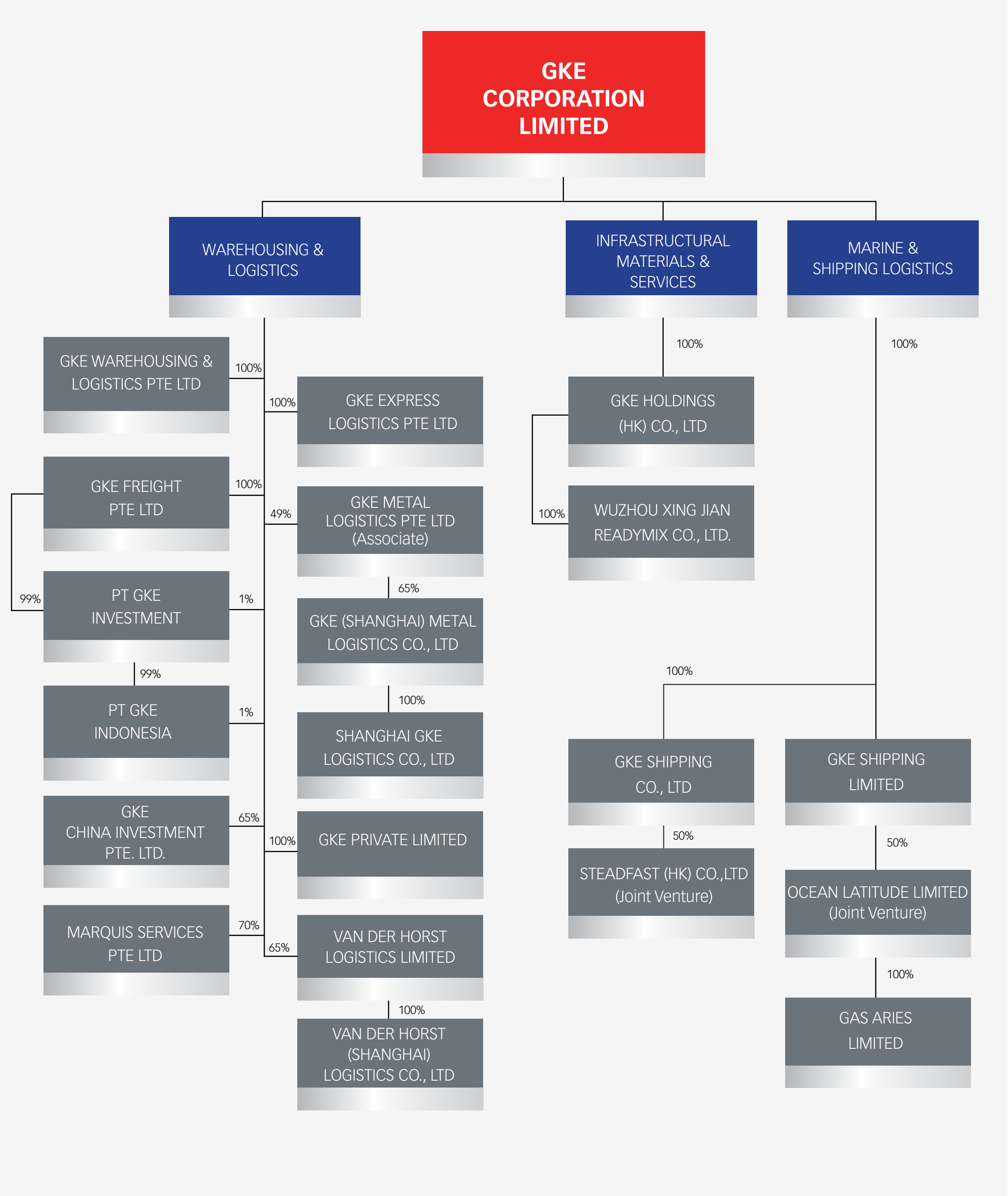
Tel: 6381 6757

# CORPORATE STRUCTURE



# BUSINESS PROFILE

The business activities of GKE's group of companies can be broadly classified into two broad categories: (i) warehousing & logistics, and (ii) strategic investments. Under strategic investments, it can be divided into two distinctive business segments: (i) infrastructural materials and services, and (ii) marine and shipping logistics.

## Warehousing & Logistics

The Group operates the warehousing and logistics business under the brand name of "**GKE**", providing a total integrated and comprehensive logistics supply chain solutions and 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 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 ("OOG") transportation services and specialised in project logistics management services with its own fleet of vehicles including prime movers and trailers.

**GKE Metal Logistics Pte Ltd**, a 49% owned associated company, is an approved London Metal Exchange ("LME") warehouse service provider operating in both Singapore and Shanghai, China. It acts as custodians for the storage and handling of non-ferrous metals that are traded on the LME, where strict criteria by the LME are to be met and adhered to, at all times.

## Infrastructural Materials and Services

This business segment focuses on the manufacturing and supply of infrastructural materials, in particular, ready-mix concrete, for the infrastructural, real estate development and construction sectors in Wuzhou City, 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) established in 2013, is primarily engaged in the manufacturing and supply of environmentally-friendly ready-mix concrete. It has commenced commercial production in June 2016.

## Marine and Shipping Logistics

This business segment is carried out through its 50% joint venture in Ocean Latitude Limited, which has constructed an 83,000m$^3$ liquefied gas carrier vessel and is 53,800 deadweight tonnes. The vessel is delivered and commenced its operations with a chartering contract since mid-April 2016. The vessel is registered under Lloyds Register of Shipping.

# LETTER TO SHAREHOLDERS

## DEAR SHAREHOLDERS,

The last financial year had been challenging and yet fruitful.

Over the last few years, we have planned and implemented our two-pronged growth strategy progressively to broaden and strengthen our earnings base, focusing on developing our core warehousing & logistics and strategic investment platforms. We have taken initiatives to streamline our less-performing businesses and expanded prudently to strengthen our fundamentals for long term sustainable growth.

## BACK ON THE PROFITABLE TRACK

We are pleased to update our Shareholders that the Group is back on track to profitability as our earlier efforts are bearing fruit.

The Group reversed its loss-making position for the financial year ended 31 May 2016 ("FY2016") and achieved a net profit attributable to shareholders of S$5.7 million, on the back of a marginal increase in revenue to S$36.9 million amid weaker economic conditions. The Group's EBITDA has also improved significantly from $5.7m for financial year ended 31 May 2015 ("FY2015") to $16.5m in FY2016. This set of uplifting results mainly stemmed from the Group's warehousing & logistics segment, which generated higher revenue with maiden contribution from its newly acquired chemical warehouse & logistics operator, Marquis Services Pte Ltd ("Marquis"); as well as the aggregate net gains amounting to S$14.9 million from (i) divestment of a 40% stake in an associated company, Maoming City Hung Ji Construction Materials Co., Ltd. (茂名市宏基建材有限公司); and (ii) sale and leaseback of its warehouse cum office building located at 30 Pioneer Road to Viva Industrial Real Estate Investment Trust ("VI-REIT") during the financial year. The net profit attributable to shareholders was partially offset by an impairment charge of $3.9m for its associate company, GKE Metal Logistics Pte Ltd as well as additional tax provision in relation to the disposal of the 30 Pioneer Road property.

**Mr. Chen Yong Hua**
*Executive Chairman and Executive Director*

## STRENGTHENING FUNDAMENTALS

In line with GKE's commitment to deliver stable and sustainable earnings growth in the long term, the Group will continue to focus on strengthening its fundamentals by broadening its earnings base amidst the challenging business environment and economic uncertainties. The acquisition of Marquis and monetising its 30 Pioneer Road property for the asset enhancement initiative to redevelop 39 Benoi Road property, as well as the strategic investments – (i) liquefied gas carrier vessel and (ii) ready-mix concrete manufacturing plant in Wuzhou, China, have come to fruition.

Building on our foundation of warehousing and logistics segment, GKE continues to chart expansion opportunities to enhance the Group's competence and platform as a warehouse operator and logistics solutions provider to pursue business opportunities in both existing and new industries. The acquisition of 70% stake in Marquis in December 2015 allows GKE to expand laterally, and leapfrogged GKE into the specialised area of chemicals warehousing and logistics services. Marquis has been performing well and made its maiden half-year

**Mr. Neo Cheow Hui**
*Chief Executive Officer and Executive Director*

contribution to the Group in FY2016. The performance of Marquis is within the Group's expectation on the profit guarantee of not less than S$2.8 million in aggregate for two years, from 1 December 2015 to 30 November 2017. We are confident that the amalgamation of GKE and Marquis will further strengthen the Group's capabilities in broadening our third party warehousing and logistics solutions and services to diverse industries.

During the financial year, the Group also took the opportunity to unlock the asset value of its 30 Pioneer Road property for a sale consideration of S$45 million in cash and embarked on the redevelopment of 39 Benoi Road warehouse facilities, an adjoining property. The redevelopment of the new warehouse cum office is an asset enhancement initiative, expanding the warehousing space by an additional 200,000 sqft, and bringing the total warehousing space to 400,000 sqft with open yard storage space of approximately 130,000 sqft. This warehouse shall be equipped with capabilities of safe storage of chemicals and dangerous goods, which will give the Group additional headroom for growth in the niche specialty chemicals and marine coatings sector. The redevelopment of this property is expected to complete by end July 2017 and upon completion, the Group will operate approximately 900,000 sqft of warehouse storage space in Singapore.

The two strategic investments which the Group has undertaken over the last few years, will be contributing positively to the Group from FY2017 onwards.

The Group achieved a milestone for its marine & shipping logistics segment when its 50-50 joint venture company, Ocean Latitude Limited, which the Group invested to construct the 83,000m$^3$ liquefied gas carrier vessel, was delivered earlier than expected. The Group has entered into a six months chartering contract from mid-April 2016 with an option to extend for an additional six months. The confirmed charter contract at a gross rate of US$33,000 per day is deployed to the Middle East and Far East regions, and has since started generating a steady stream of recurrent income for the Group. We are cautiously optimistic in securing a longer term chartering contract against the backdrop of global economic uncertainties and depressed oil prices despite the rising environmental concern that could potentially lead to increasing demand for liquefied gas globally.

The Group recorded yet another breakthrough with its wholly-owned subsidiary, Wuzhou Xing Jian Readymix Co., Ltd （梧州市星建混凝土有限公司） ("Wuzhou Xing Jian") which completed the construction of Phase 1 of its ready-mix concrete manufacturing plant with an annual production capacity of 800,000m$^3$ in late 2015. This automated manufacturing facility is built with the state-of-the-art technology which improves operational efficiencies and it is environmental friendly. Wuzhou Xing Jian also owns a fleet of 25 cement mixer trucks to support the logistics requirements of supplying ready-mix concrete products to its customers within the Wuzhou City.

It took Wuzhou Xing Jian about six months to achieve the product quality testing and certification from the Ministry of Housing and Urban-rural Development of China on 29 May 2016. Obtaining this certification allows Wuzhou Xing Jian to sell its ready-mix concrete products,

# LETTER TO SHAREHOLDERS

negotiate effectively for offtake supply contracts and to ramp up its production capacity progressively with the demand. As Wuzhou City is one of the cities in China that has the mandatory requirement for property developers and public infrastructural works departments to purchase ready-mix concrete from certified ready-mix concrete manufacturers, we are confident to garner market share as the approved urbanisation plans in Wuzhou City progresses.

We expect the infrastructural materials and services segment to contribute positively to the Group's earnings from FY2017 onwards.

## REWARDING SHAREHOLDERS

As an appreciation to our supportive shareholders, the Board has recommended a first and final one-tier tax-exempt cash dividend of S$0.006 per ordinary share, subject to approval of shareholders at the Annual General Meeting on 28 September 2016.

## BALANCING EXPANSION WITH ASSURANCE

We will continue to review and monitor our business portfolio, and focus on strengthening our fundamentals for sustainable growth in the long term. When presented with opportunities in this challenging business environment, the Group will look to unlock resources from its less-performing assets and business units.

We will also continue to tap on the diverse knowledge, experience and expertise of our Board of Directors, for their advice and guidance to pursue viable strategic investment opportunities with growth potential to expand the Group's earnings base which could enhance value for the shareholders.

The Group has entered into a binding Memorandum of Understanding to acquire 100% stake in TNS Ocean Lines Pte Ltd ("TNS"), an established port operations and logistics provider on 28 July 2016. This proposed acquisition is a strategic lateral expansion to GKE's logistics division, in particular, as port operations is the first and last landing points of imports and exports of goods. We believe that the long-term business working relationship of TNS with PSA Singapore, can be further broadened and deepened with the support from GKE's warehousing & logistics platform.

The proposed acquisition is earnings accretive with TNS providing a profit guarantee of not less than S$3.5 million in aggregate for three years. This will not only give an immediate boost to the Group's earning base, but also allows the Group to create synergies between TNS and GKE's warehousing and logistics segment to generate more business activities in the long term. The purchase consideration for the proposed acquisition is S$9.0 million, which would be satisfied with 30% in cash and remaining with issuance of ordinary shares at S$0.12 per share. We will update out shareholders on the developments as and when appropriate.

## ACKNOWLEDGEMENTS AND APPRECIATION

We would like to convey our appreciation to our fellow Board Directors for their invaluable advice and guidance, and the Management and staff for their dedication and commitment for the past year, and thank our former Board members – Mr. Mahtani Bhagwandas and Ms. Angelic Cheah Yee Ping, for their commitments and invaluable contributions to the Group. We also extend our welcome to Mr. Ho Ying Ming and Mr. Andrew Chua Thiam Chwee who joined the Board on 30 September 2015.

On 4 August 2016, the Board has announced the appointment of Mr. Er Kwong Wah as the Lead Independent Director of the Group as well as the resignation of Mr. Wang Jian Ping, the Alternate Director to Ms. Qian Wen Hua. We would like to thank Mr. Wang for his invaluable contribution to the Group.

On behalf of the Board, we would like to express our heartfelt appreciation to our shareholders, customers, business associates and partners, for their trust and continued support for the Group.

**CHEN YONG HUA 陈永华**
*Executive Chairman and Executive Director*

**NEO CHEOW HUI 梁昭辉（鹏飞）**
*Chief Executive Officer and Executive Director*

# 致股东的信函

## 尊敬的股东，

尊敬的各位股东：

2016财政年对锦佳集团既是充满挑战也是硕果累累的一年。

在过去几年，我们计划和执行了双管齐下的增长战略、逐步扩大和加强我们的收益基础，重点开发我们核心的仓储与物流以及战略投资平台。我们已主动采取精简我们业绩较弱的业务和谨慎地拓展，以加强长期可持续增长的基本面。

### 重回盈利轨道

在此，我们很荣幸地向各位股东汇报，经过之前的不懈努力，集团目前已扭亏为盈并重新踏上盈利的轨道。

面对疲软的经济环境，集团仍然在截止于2016年5月31日（“财政年2016”）的财政年期间转亏为盈，在收入增长至3,690万新元的带动下，获取股东净利润570万新元。集团2016财政年的未计利息、税项、折旧及摊销前利润也由截止于2015年5月31日的财政年（“财政年2015”）的570万新币显著提升至1,650万新币。业绩增长主要是由于集团新收购的化学品仓储和物流运营商Marquis服务有限公司（“Marquis”）为集团创造了更高的收入；以及，以下两个方面总计获取净收益1,490万新元：(i)转让茂名宏基建材有限公司40%股权及(ii)将位于先驱路30号的仓库及办公楼产业出售并反租给亿达工业不动产投资信托。部分股东净利润由锦佳金属物流有限公司减值准备390万及关于出售先驱路30号产业所可能产生的额外税费所抵消。

### 巩固基础 持续增长

在充满挑战的商业环境中及面对经济的不确定性，集团将继续聚焦于巩固收益基础。收购Marquis及为发展贲耐路39号产业而出售先驱路30号产业，同时，集团的两个战略投资 (i) 液化天然气运输船及 (ii) 梧州混凝土工厂也已开始创造积极效益。

以集团仓储及物流领域为基础，锦佳仍继续在现存及新领域寻求扩张机会以提升集团作为仓储物流运营商及供应商的整体竞争力。集团于2015年12月收购了Marquis 70%的股权，使锦佳进入到化学品仓储及物流的专业领域，并同时对锦佳2016年的业绩做出贡献。Marquis担保自2015年12月1日至2017年11月30日的利润不少于280万新元，目前的表现也符合我们的预期。我们有信心此次合并将进一步提升锦佳第三方仓储物流能力及服务水平。

财政年期间，集团以4,500万新元的价格出售先驱路30号产业并将收益投资发展贲耐路39号产业。开发新的仓库可增加额外仓储面积200,000平方尺至400,000平方尺，另加130,000平方尺的露天仓储面积。为了确保集团在化学品及船舶漆领域有发展空间，此新建仓库也将设有安全存放化学品及危险品的设备。此仓库重建项目预计于2017年7月末完成。完成后，集团在新加坡总计拥有仓储面积约900,000平方尺。

集团在过去几年的两个战略投资项目将会自2017财政年为集团创造积极效益。

Ocean Latitude Limited是一家集团参与投资的50-50合资公司，其建造的83,000立方米的液化天然气运输船已于早前交接完毕，使集团在船舶及海运领域创造了新的里程碑。集团已签署一份自2016年4月中旬开始六个月的包租合同，附加六个月的选择性续约，包租价格为每天33,000美元，为集团贡献了稳定的收益来源。目前全球经济疲软及石油价格低迷，但因全球对环境保护意识的增强，可能导致对液化天然气的需求有所增加，所以我们也对寻求一份更长期的包租合同抱着谨慎乐观的态度。

集团的全资子公司梧州星建混凝土有限公司（“梧州星建”）是锦佳的另一个突破，其于2015年末期已完成一期工程的建设，年产量800,000立方米，拥有能够提升运营效率及环境友好型的自动化工艺技术。梧州星建配备25台搅拌车，能够满足在梧州市内向客户供应混凝土产品的物流需求。

梧州星建用六个月的时间完成了产品质量检测，并于2016年5月29日取得中华人民共和国住房和城乡建设委员会颁发的生产资质证书，使梧州星建具备销售混凝土产品并根据供应合同的需求量提升生产能力的资质。因梧州市是强制要求房地产开发商及公共基建作业部门必须从有资质的生产商购买混凝土的城市之一，所以我们有信心在梧州市城镇化进程中争取到更多的市场份额。

我们期待基建材料及服务业能够自2017财年起对集团收益创造积极的贡献。

### 回报股东

为回报股东对集团一如既往的支持，董事会提议每普通股派发0.006新元的免税现金股息。此事宜仍需在2016年9月28日的年度股东大会上获得批准。

# 致股东的信函

## 确保稳健平衡的扩展

我们将继续复审并监督业务组合，聚焦于为长期稳定增长及巩固基础。当在这个充满挑战的商业环境中出现商机时，集团将会脱售表现较差的资产及业务并从中释放资源。

我们也将继续与董事会同仁通力合作，运用他们的专业知识和经验寻求可靠的、具有潜在稳定增长的战略投资机会以扩展集团的收益基础，努力为股东提升价值。

集团于2016年7月28日签署了关于收购TNS Ocean Lines Pte Ltd（“TNS”）100%股权的具有法律约束力的谅解备忘录，其是一家港口运营及物流供应商。此收购方案是锦佳物流领域的一个战略性扩张，尤其是港口运营是货物进出口所必需的。我们相信凭借锦佳仓储及物流的平台优势，TNS与新加坡港务局之间长期的业务合作关系能够得到进一步加深与巩固。

此收购方案的交易价格为900万新元，其中30%以现金形式支付，剩余的70%按照每股0.12新元的价格派发股票。TNS也会提供三年不少于350万新元的利润担保，这不仅能立即提升集团收益，并且能使TNS与锦佳在未来长期合作下产生更多业务机会。 此项目如有任何进展，集团将及时向股东汇报。

## 致谢

我们在此向董事会同仁表达诚挚的谢意，感谢他们所提供的宝贵建议及指导，也衷心感谢在过去一年里管理层和员工对集团尽职尽责的奉献与付出。我们也感谢原董事会成员Mahtani Bhagwandas先生和谢仪萍女士对锦佳集团所做出的宝贵贡献。同时我们也在此欢迎何殷明先生及蔡添水先生于2015年9月30日加入到锦佳集团董事会，希望在大家的通力合作及相互指导下为锦佳的成长注入新动力。

集团董事会于2016年8月4日公布委任余光华先生为首席独立董事及王建平先生辞去钱文华女士的替任董事职务事宜。我们在此感谢王建平先生对集团所作出的贡献。

我们谨代表锦佳集团董事会，由衷感谢各位股东、客户、商业伙伴及合作伙伴长久以来一如既往支持并信任锦佳集团。

陈永华
执行主席及执行董事

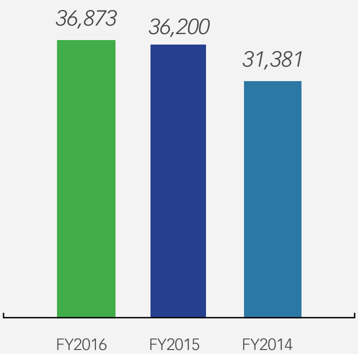
梁昭辉（鹏飞）
执行总裁及执行董事

# GREATER
## POSSIBILITIES IN STORE

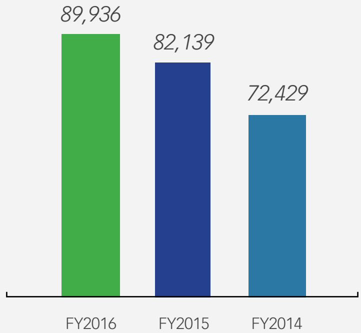
*The redevelopment of 39 Benoi Road property as a strategic asset enhancement initiative is well underway. The redeveloped property will boost the total warehousing space by approximately 20% to 1.2 million sqft and an aggregate open yard storage space of approximately 328,000 sqft.*

# GROUP FINANCIAL HIGHLIGHTS

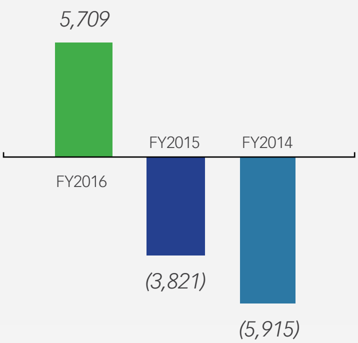
## REVENUE
*(S$'000)*




## NET ASSETS VALUE
*(S$'000)*

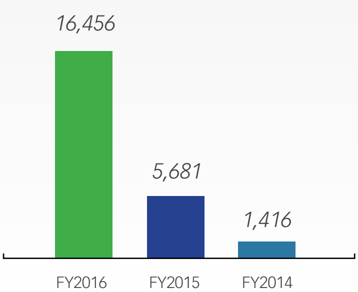



## PATMI
*(S$'000)*

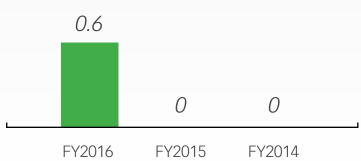



## EPS
*(CENTS)*


## EBITDA
*(S$'000)*




## DIVIDEND
*(CENTS)*



| *Financial Year Ended 31 May* | 2016 | 2015 | 2014 |
|---|---|---|---|
| FOR THE YEAR (S$'000) | | | |
| Revenue | 36,873 | 36,200 | 31,381 |
| Profit/(loss) | | | |
| EBITDA | 16,456 | 5,681 | 1,416 |
| Operating | 5,874 | (4,683) | (7,130) |
| Before tax | 7,241 | (4,105) | (6,876) |
| PATMI | 5,709 | (3,821) | (5,915) |
| PER SHARE (Singapore cents) | | | |
| Earnings/(Loss) | | | |
| PATMI | 0.89 | (0.78) | (1.26) |
| Weighted average number of issued shares (thousand) | 638,676 | 489,363 | 470,159* |
| Number of issued shares as at 31 May (thousand) | 646,542 | 646,542 | 463,364 |
| AT YEAR-END (S$'000) | | | |
| Net assets | 89,936 | 82,139 | 72,429 |
| Net tangible assets | 81,530 | 76,750 | 68,923 |
| Shareholders' funds | 85,008 | 77,813 | 67,513 |
| Minority interests | 4,928 | 4,326 | 4,916 |
| Capital employed | 74,831 | 74,831 | 62,215 |
| Total borrowings | 50,800 | 71,066 | 73,133 |
| Debt-to-equity ratio | 56.5% | 86.5% | 101.0% |
| RETURN ON SHAREHOLDERS' FUNDS (%) | | | |
| Profit before tax | 8.5% | -5.3% | -10.2% |
| PATMI | 6.7% | -4.9% | -8.8% |
| SHAREHOLDERS' VALUE | | | |
| Distribution | | | |
| Final dividend (Singapore cents per share) | 0.6 | – | – |
| Share price as at 31 May (S$) | 0.084 | 0.070 | 0.120 |

*Note:*
*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation*
*PATMI – Profit After Tax and Non-Controlling Interests*
**Restatement of FY2014 weighted average number of issued shares due to rights issue in FY2015*

# OPERATIONS & FINANCIAL REVIEW


The Group's commitment to deliver seen its efforts in streamlining less-performing businesses, improving on operational efficiencies and expanding its earnings base, paid off for the financial year ended 31 May 2016 ("FY2016").

During the financial year, the Group completed sales and leaseback on its warehouse cum office property located at 30 Pioneer Road Singapore ("Pioneer Road property") to Viva Industrial Real Estate Investment Trust ("VI-REIT") for a sale consideration of S$45.0 million in cash. An additional S$3.0 million shall be paid to the Group after VI-REIT constructed a vehicular link to connect the ramp from the Group's adjoining warehouse cum office property at 39 Benoi Road Singapore ("Benoi Road property"). VI-REIT will also share with the Group on the maintenance and repair costs of the 40-foot container ramp for every level which allows ingress and egress of 40-foot container trucks to and from the Pioneer Road property.

One of the objectives for the sale and leaseback of the Pioneer Road property is to finance the redevelopment of the Benoi Road property, an asset enhancement initiative. The lease of the Benoi Road property has also been extended by the Jurong Town Corporation, from March 2031 to February 2037, to align with the lease expiry of the Pioneer Road property. The redevelopment of the Benoi Road property will see the warehousing space doubled to 400,000 sqft with additional open yard storage space of approximately 130,000 sqft. The redeveloped Benoi Road property is expected to complete by end July 2017. Meanwhile, the Group is leasing additional warehousing space from other warehouse owners to handle the overflow of cargoes from its own warehouses during the construction phase of Benoi Road property.

The Group divested its wholly-owned subsidiary, Ever Flourish Development (HK) Co., Ltd ("Ever Flourish"), which in turn holds a 40% stake in Maoming City Hung Ji Construction Materials Co., Ltd（茂名市宏基建材有限公司）("Maoming"), for a sale consideration of RMB15 million (equivalent to approximately S$3.3 million) in September 2015. Maoming gave the Group a first-hand experience in the infrastructural material sector – manufacturing of ready-mix concrete in China. Due to the lack of control and flexibility as a minority shareholder, the Group decided to divest this investment for a net gain of approximately S$1.2 million and reinvest the sale proceeds into its wholly-owned subsidiary, Wuzhou Xing Jian Readymix Co., Ltd（梧州市星建混凝土有限公司）("Wuzhou Xing Jian").

Wuzhou Xing Jian completed the construction of its automated production facilities for ready-mix concrete, R&D laboratory and office facilities at end of 2015 and commenced trial production in early 2016. During the six-month trial production, it had sent its production technicians for training and certification and submitted various ready-mix concrete products to the relevant authorities for quality grading and certification. Wuzhou Xing Jian achieved the product quality testing and certification from the Ministry of Housing and Urban-rural Development of China on 29 May 2016, and has since started production and sale to the local private property developers and public works department. The production capacity will be ramped up progressively according to demand.

Another milestone was recorded during the year when the Group's 50-50 joint venture, Ocean Latitude Limited, which it invested to construct an 83,000m$^3$ liquefied gas carrier vessel, Gas Aries, was delivered in April 2016. The Group has since entered into a six months chartering contract from mid-April 2016 with an option to extend for an additional six months. The confirmed charter contract value at a gross rate of US$33,000 per day was deployed to the Middle East and Far East regions.

The Group expanded into chemical warehousing and logistics operations with its lateral acquisition of 70% stake in Marquis Services Pte Ltd ("Marquis"), an established chemical warehouse operator and marine coating solutions provider, for a purchase consideration of S$2.94 million. The acquisition was completed in mid-December 2015 and made its maiden contribution to the Group in FY2016.

For FY2016, the Group's total revenue increased by 1.9% year-on-year to S$36.9 million, from S$36.2 million in FY2015, stemmed mainly from the warehousing and logistics business segment. The contributions include contribution from the newly acquired subsidiary, Marquis as well as higher revenue generated from its warehousing business segment, which was partially undermined by lower revenue from its logistics operations on the back of the slowdown in the macro business environment.

In tandem with the increase in revenue, cost of sales increased marginally by 0.7% year-on-year from S$27.0 million in FY2015 to S$27.2 million in FY2016. As a result of better cost management, gross profit rose by 5.2% year-on-year to S$9.7 million in FY2016 compared to S$9.2 million in FY2015, and gross margin improved from 25.5% in FY2015 to 26.3% in FY2016.

Other income increased from S$1.0 million in FY2015 to S$15.7 million in FY2016. The significant increase was mainly due to the S$13.7 million gain on disposal of Pioneer Road property and S$1.2 million gain on disposal of Everflourish and its associate, Maoming.

Overall operating expenses increased by 22.9% from S$12.5 million in FY2015 to S$15.4 million in FY2016, was mainly due to an impairment of S$3.9 million for investment in the 49%-owned GKE Metal Logistics Pte Ltd ("GKE Metal").

Finance costs was 16.1% higher from S$1.8 million in FY2015 to S$2.1 million in FY2016. This was due to an increase in interest rates, higher borrowings undertaken for working capital purposes, and the purchase of ready-mix concrete mixer trucks for its wholly-owned ready-mix concrete operations in Wuzhou, China.

The loss of S$0.5 million from its share of results from associates in FY2016 was due to the underperformance of GKE Metal as a result of a weaker commodity market.

The loss of S$0.2 million from its share of results of joint venture was due to the pre-operating administrative expenses and finance charges incurred for the construction of the liquefied gas carrier vessel.

For 2016, the Group reversed from a net loss attributable to shareholders of S$3.8 million in FY2015 to record a net profit attributable to the owners of the Company of S$5.7 million in FY2016.

# OPERATIONS & FINANCIAL REVIEW

## STATEMENT OF FINANCIAL POSITION

The Group's equity attributable to the owners of the Company was higher at S$85.0 million as at 31 May 2016, compared with S$77.8 million as at 31 May 2015. This was due mainly from an increase in retained earnings for the financial year. Net asset value per share increased from 12.14 SGD cents as at 31 May 2015 to 13.43 SGD cents as at 31 May 2016.

Non-current assets decreased by S$23.7 million from S$135.7 million as at year ended 31 May 2015 to S$112.0 million as at 31 May 2016. The decrease was mainly due to the decrease in property, plant and equipment as a result of the disposal of Pioneer Road property, which was partially offset with the purchase of fixed assets including trailers, motor vehicles, forklift, and equipment for the warehouses located in Singapore and the ready-mix concrete plant located in Wuzhou, China. The movements in the investments in associates and joint venture, as well as the goodwill arose from the acquisition of Marquis had partially offset the decrease.

Current assets increased by S$12.9 million from S$30.8 million as at 31 May 2015 to S$43.7 million as at 31 May 2016, mainly due to the increase in cash and cash equivalents from S$18.4 million to S$30.8 million at end May 2016. The increase in cash at banks was mainly due to: (i) receipt of the refund of US$3.5 million (approximately S$4.9 million) by the Group's subsidiary, GKE China Investment Pte Ltd ("GKE China") from the Waigaoqiao Vendor on the 30% initial payment it had made in relation to the proposed acquisition of Uniplas (Shanghai) Co., Ltd., and (ii) the net proceeds from the disposal of Pioneer Road property for S$44.6 million. This was partially offset by the repayment of bank borrowings.

Total liabilities reduced by S$18.6 million as at end FY2016, due mainly to the repayment of borrowings. Non-current liabilities decreased by S$19.8 million from S$66.9 million as at end FY2015 to S$47.1 million as at end FY2016 as a result of repayment of borrowings of S$17.6 million and the reversal of S$2.8 million provision for deferred tax liabilities due to the disposal of Pioneer Road property. Current liabilities increased from S$17.5 million as at end FY2015 to S$18.6 million as at end FY2016. The increase was mainly due to (i) other payables of S$385,000 related to the provision for the balance of the purchase consideration (five million ordinary shares to be allotted upon fulfilment of the conditions precedent) for the acquisition of Marquis, (ii) increase in trade and other payables due mainly to the purchase of raw materials by Wuzhou Xing Jian, and (iii) higher finance lease liabilities due to the purchase of cement mixer trucks for Wuzhou Xing Jian and prime movers for its logistics operations in Singapore.

## CASH FLOW

The Group generated S$6.5 million cash from operating activities in FY2016, compared with S$6.3 million in FY2015. This was in line with the higher working capital requirements following the commencement of ready-mix concrete production in Wuzhou Xing Jian. The significant increase in the Group's net cash inflow from investing activities of S$31.4 million was mainly due to the net cash proceeds from the disposals of Pioneer Road property of S$44.6 million and Everflourish and Maoming of RMB15 million (approximately S$3.3 million), and was partially offset by: (i) net cash outflow of S$0.7 million for the acquisition of Marquis (ii) capital expenditure of S$4.7 million for the investment in its joint venture, Gas Aries Limited, for the construction of liquefied gas carrier vessel; and (iii) the purchase of trailers, motor vehicles, forklift, warehouse equipment, land use rights and the construction of Wuzhou Xing Jian's automated ready-mix concrete manufacturing facility. Net cash used in financing activities in FY2016 was S$25.5 million, which was mainly for the repayment in loans and borrowings, finance leases, and shares buy-back. This was partially offset by the proceeds from property loan for the purchase of warehouse at 7 Kwong Min Road.


# CHARTING

## NEW AVENUES OF GROWTH

*The joint venture investment saw the delivery of an 83,000m³ liquefied gas carrier vessel with a chartering contract that generates steady income for the Group.*

# 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 directorships in a few Chinese companies, namely, Dongguan Tian Hua Chuang Zhan Print Co., Ltd, Shenzhen Huayue Chuangzhan Industrial Co., Ltd and Shenzhen Jiachen Investment Co., Ltd.

**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.

**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. She is currently a director of Smart Park Pte Ltd.

**MR. ER KWONG WAH**
*Lead Independent Director*

Mr. Er Kwong Wah was appointed as an Independent Director of our Company on 16 April 2007. Mr. Er is the Chairman of the Audit and Remuneration Committees. He is also a member of the Nominating Committee. He has spent 27 years in the service of the Singapore Government serving various ministries. He has held Permanent Secretary Position with Ministry of Education from 1987 – 1994 and then with Ministry of Community Development until his retirement in 1998.

Mr. Er holds directorship of several public listed companies. Mr. Er was a Colombo Plan and Bank of Tokyo Scholar and graduated from the University of Toronto, Canada with a first class honors degree in Electrical Engineering in 1970 and an MBA from Manchester Business School, University of Manchester in 1978.

**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 and Remuneration Committees. 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 is an Independent Director of the Company, and a member of the Audit, Nominating and Remuneration Committees. He was appointed to the Board on 30 September 2015. Mr. Ho has been a partner at Shook Lin & Bok since 2011. Mr. Ho practices in the areas of corporate and corporate finance, and specialises 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, 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, licensing 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.

# BOARD OF DIRECTORS

**MR. LIU JI CHUN**
*Non-Executive Director*

Mr. Liu Ji Chun was appointed as a Non-Executive Director of our company on 1 November 2005. Mr. Liu has been involved for more than 20 years in corporate operations and management and has accumulated rich experiences in the fields of shipping management as well as logistics. At present, he is the Chairman of Wideshine Enterprises Ltd. with headquarter in Guangzhou PRC. Wideshine covers a wide-range of business including shipbuilding & trade, special-ship operations especially in LPG tankers and asphalt carriers, international freight forwarding service, warehousing, manufacture of stainless steel kettles and cookware accessories and other investments. Mr. Liu plays a key role in its business expansion and development. He is also the vice-chairman of Guangdong Hunan Chamber of Commerce and he has been continuously contributing to the economic communication and cooperation between Guangdong and Hunan. Mr. Liu holds a Master Degree in Business Administration from University of Western Sydney, Australia.

# SENIOR MANAGEMENT

## MR. CHUA WEI CHYE LAWRENCE

*Senior Financial Controller of GKE Corporation Limited*

Mr. Lawrence Chua joined the Group as the Senior Financial Controller in March 2016. 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 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

*Finance Manager of 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 and Food Junction Holdings Limited.

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

## MS. LI ZI YAN

*Investment Manager of 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.

## MS. DOREEN CHAI HWEE HOON

*Group General Manager*
*Managing Director of GKE Freight Pte Ltd*
*Managing Director of 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 drive the logistics business. 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 of 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 of Marquis Services Pte. Ltd.*

Ms. Goh joined the Group in December 2015 following the acquisition of Marquis Services Pte Ltd ("Marquis") 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 specialises in freight, warehousing & distribution of specialty chemicals and marine coating.

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


# CEMENTING
## A NEW MILESTONE

*The automated ready-mix concrete manufacturing plant has commenced commercialisation in June 2016. The ongoing urbanisation plans in Wuzhou City bodes well for the prospects of Wuzhou Xing Jian Readymix Co., Ltd, the wholly-owned subsidiary of the Group.*

# REPORT OF
# CORPORATE GOVERNANCE

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

The Group are committed to set the corporate governance practices in place to be in line with the recommendations of the Code of Corporate Governance 2012 (the "**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.

## (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.

In line with the recent changes of the Companies Act, Chapter 50, all references to the Memorandum and Articles of Association will superseded with Constitution and Regulation.

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.

# REPORT OF
# CORPORATE GOVERNANCE

The following table sets out the number of Board and Board Committees meetings held during the financial year ended 31 May 2016 ("FY2016") and the attendance of each Director at these meetings:

| Name of Directors | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|
| | No. of meetings | | No. of meetings | | No. of meetings | | No. of meetings | |
| | held | attended | held | attended | held | attended | held | attended |
| Chen Yong Hua | 4 | 3 | 4 | 3* | 1 | 1* | 1 | 1* |
| Neo Cheow Hui | 4 | 4 | 4 | 4* | 1 | 1* | 1 | 1* |
| Qian Wen Hua (Alternate Director, Wang Jian Ping[(1)]) | 4 | 4 | 4 | 4* | 1 | 1* | 1 | 1* |
| Liu Ji Chun | 4 | 3 | 4 | 3* | 1 | 1* | 1 | 1* |
| Er Kwong Wah[(2)] | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| Ho Ying Ming[(3)] | 4 | 3 | 4 | 3 | 1 | - | 1 | - |
| Andrew Chua Thiam Chwee[(3)] | 4 | 3 | 4 | 3 | 1 | - | 1 | - |
| Mahtani Bhagwandas[(4)] | 4 | 1 | 4 | 1 | 1 | 1 | 1 | 1 |
| Angelic Cheah Yee Ping[(4)] | 4 | 1 | 4 | 1 | 1 | 1 | 1 | 1 |

Notes:

* By invitation

(1) Mr. Wang Jian Ping had resigned as the Alternate Director to Ms. Qian Wen Hua on 4 August 2016.
(2) Mr. Er Kwong Wah was appointed as the Lead Independent Director on 4 August 2016.
(3) Mr. Ho Ying Ming and Mr. Andew Chua Thiam Chwee were appointed as the Independent Director on 30 September 2015.
(4) Mr. Mahtani Bhagwandas and Ms. Angelic Cheah Yee Ping had resigned as the Independent Director on 30 September 2015.

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;
- 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.

# REPORT OF CORPORATE GOVERNANCE

The Directors are also updated regularly with changes to the Listing Manual Section B: Rules of Catalist ("**Rules of Catalist**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and 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 auditors update 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 Directors' 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 Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the said Guidance.

In January 2008, the Monetary Authority of Singapore, SGX-ST and ACRA had established the Audit Committee Guidance Committee ("**ACGC**") to strengthen corporate governance practices of listed companies in Singapore. In August 2014, a revised ACGC has been launched to include the revision to the Code with numerous industry developments and it aims to help AC members to have a better understanding of their roles and responsibilities. Accordingly, the Company Secretary had updated the AC on the revised ACGC.

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 member of the Board.

**Board Composition and Balance**

***Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement 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, one (1) Non-Executive Director and three (3) Independent Directors:

**Executive Directors**
Mr. Chen Yong Hua, Executive Chairman
Mr. Neo Cheow Hui, Chief Executive Officer
Ms. Qian Wen Hua

# REPORT OF
# CORPORATE GOVERNANCE

**Non-Executive Director**
Mr. Liu Ji Chun

**Independent Directors**
Mr. Er Kwong Wah (Lead Independent Director)
Mr. Ho Ying Ming
Mr. Andrew Chua Thiam Chwee

Mr. Ho Ying Ming and Mr. Andrew Chua Thiam Chwee were appointed as the Independent Directors of the Company with effect from 30 September 2015.

Mr. Er Kwong Wah was appointed as the Lead Independent Director of the Company with effect from 4 August 2016.

Mr. Wang Jian Ping had resigned as the Alternate Director to Ms. Qian Wen Hua on 4 August 2016.

The NC is of the view that the current Board, with Independent Directors making up at least one third of the Board, has a strong and independent element to exercise objective judgement 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 these Directors are independent.

In line with guideline 2.4 of the Code, the NC had conducted a rigorous review on the independence of the Independent Director, Mr. Er Kwong Wah ("**Mr. Er**"), who has served the Board beyond 9 years. The relevant factors that were taken into consideration in determining the independence of Mr. Er are set out under Principle 4 as below.

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 dominates 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 Non-Executive Directors and 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, they 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 Non-Executive Directors and Independent Directors communicate amongst themselves and with the Company's auditors and the Management. Where necessary, the Company co-ordinates informal meetings for Non-Executive Directors and Independent Directors to meet without the presence of the Executive Director 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.

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

The Company is in compliance with the Guideline 3.3 of the Code, where Mr. Er Kwong Wah has been appointed as the Lead Independent Director of the Company on 4 August 2016, to co-ordinate and to lead the Independent Directors to provide 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.

**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. Er Kwong Wah
Mr. Ho Ying Ming

Mr. Ho Ying Ming and Mr. Andrew Chua Thiam Chwee were appointed as the Independent Directors of the Company with effect from 30 September 2015.

Mr. Er Kwong Wah was appointed as the Lead Independent Director of the Company with effect from 4 August 2016.

# REPORT OF
# CORPORATE GOVERNANCE

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 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. Neo Cheow Hui, Mr. Er Kwong Wah, Mr. Ho Ying Ming and Mr. Andrew Chua Thiam Chwee 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.

Mr. Er Kwong Wah, Mr. Ho Ying Ming and Mr. Andrew Chua Thiam Chwee, being a member of the NC who are retiring at the AGM abstained from voting on the resolution in respect of their re-nomination as a Director of the Company.

For the financial year under review, the NC is of the view that the Independent Directors of the Company are independent (as defined in the Code) and are able to exercise judgment on the corporate affairs of the Group that is independent of the Management.

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 deemed fits.

In considering whether an Independent Director who has served on the Board for 9 years is still independent, the Board has taken into consideration the following factors:

- The considerable amount of experience and wealth of knowledge that the Independent Director brings to the Company.

- The attendance and active participation in the proceedings and decision making process of the Board and Committee meetings.

# REPORT OF
# CORPORATE GOVERNANCE

- Provision of continuity and stability to the Management at the Board level as the Independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business.
- The qualification and expertise provides reasonable checks and balances for the Management.
- The Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussions at the meeting.
- The Independent Director provides overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interests.

Based on the above factors and the rigorous review performed by the Sponsor engaged by the Company, the NC with the concurrence of the Board, is satisfied that Mr. Er Kwong Wah being an Independent Director who has served on the Board for more than 9 years remains independent. He abstains from voting on any resolution where it relates to his re-election.

Mr. Wang Jian Ping was appointed as the Alternate Director to Ms. Qian Wen Hua. Mr. Wang Jian Ping attended the Board and Board Committees meetings held during the financial year under review. The NC notes that the appointment of an alternate Director is only in exceptional cases and it is for a limited period. Mr. Wang Jian Ping had resigned as the Alternate Director to Ms. Qian Wen Hua on 4 August 2016.

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 16 to 18 and 41 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 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 / 29 September 2015 | - |
| Mr. Neo Cheow Hui | Chief Executive Officer and Executive Director | Board Member | 21 July 2005 / 29 September 2014 | √ |
| Ms. Qian Wen Hua | Executive Director | Board Member | 1 March 2015 / 29 September 2015 | - |
| Mr. Wang Jian Ping | Alternate Director to Ms. Qian Wen Hua | Board member | 1 March 2015 / NA | NA |
| Mr. Liu Ji Chun | Non-Executive Director | Board Member | 1 November 2005 / 29 September 2015 | - |
| Mr. Er Kwong Wah | Independent Director | Board Member, Chairman of AC and RC and Member of NC | 16 April 2007 / 29 September 2014 | √ |

# REPORT OF
# CORPORATE GOVERNANCE

| Name of Director | Board Appointment Executive / Non-Executive | Board Committees as Chairman or Member | Directorship Date First Appointment / Date of Last Re-Election | Due for Re-Election / Re-Appointment on forthcoming Annual General Meeting |
|---|---|---|---|---|
| Mr. Ho Ying Ming | Independent Director | Board Member, Member of AC, NC and RC | 30 September 2015 / NA | √ |
| Mr. Andrew Chua Thiam Chwee | Independent Director | Board Member, Chairman of NC, Member of AC and RC | 30 September 2015 / NA | √ |

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

**Board Performance**

***Principle 5: There should be a formal 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-à-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 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 and individual director respectively to assess the overall effectiveness of the Board 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 and individual Director, is of the view that the performances of the Board and individual Director have been satisfactory and met its performance objectives. No external facilitator was used in the evaluation process.

Although the Board Committees are not formally evaluated, the factors taken into consideration with regards to the effectiveness of the Board Committees for the current year are based on the attendance of the Board Committees' members, commitment of time and contributions at the Board Committees meetings.

Moving forward, the NC has recommended the adoption of the formal annual evaluation form for the Board Committees to further enhance the effectiveness of the Board Committees. The Board has accepted the NC's recommendation and the formal annual evaluation form for the Board Committees would be adopted with effect from financial year 2017.

**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 Senior 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 Senior Management and the Company Secretary.

The Company Secretary and/or her representative administer, 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. Er Kwong Wah (Chairman)
Mr. Ho Ying Ming
Mr. Andrew Chua Thiam Chwee

Mr. Ho Ying Ming and Mr. Andrew Chua Thiam Chwee were appointed as the Independent Directors of the Company with effect from 30 September 2015.

Mr. Er Kwong Wah was appointed as the Lead Independent Director of the Company with effect from 4 August 2016.

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 executives and to determine specific remuneration packages for each Executive Director which is based on transparency and accountability.

# REPORT OF CORPORATE GOVERNANCE

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 Senior 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.

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 FY2016.

In reviewing the service agreements of the Executive Directors and key executives 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 and the performance of the individual Director.

The Company had entered into service agreements with Mr. Neo Cheow Hui on 1 November 2005, which are subject to automatic renewal on a yearly basis on such terms and conditions as the Company may agree with them.

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

The Independent and Non-Executive Directors 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 contribution, taking into account factors such as the effort and time spent and the responsibilities of the Independent and Non-Executive Directors. The fees are subject to approval by the shareholders at each AGM. Except as disclosed below, Independent and Non-Executive Directors do not receive any other remuneration from the Company.

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 Executive 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 FY2016 are as follows:

**Directors**

| Names | Directors' Fees# (%) | Salary (%) | Bonus (%) | Benefits (%) | Total (%) |
|---|---|---|---|---|---|
| **S$750,000 to S$1,000,000** | | | | | |
| Chen Yong Hua | – | 31 | 68 | 1 | 100 |
| Neo Cheow Hui | – | 35 | 63 | 2 | 100 |
| **Below S$250,000** | | | | | |
| Liu Ji Chun | 80 | – | 20 | – | 100 |
| Qian Wen Hua | – | 93 | 6 | 1 | 100 |
| Er Kwong Wah | 83 | – | 17 | – | 100 |
| Ho Ying Ming(1) | 84 | – | 16 | – | 100 |
| Andrew Chua Thiam Chwee(1) | 84 | – | 16 | – | 100 |
| Mahtani Bhagwandas(2) | 100 | – | – | – | 100 |
| Angelic Cheah Yee Ping(2) | 100 | – | – | – | 100 |

Notes:

# These fees are subject to the approval of the shareholders at the forthcoming AGM.

(1) Mr. Ho Ying Ming and Mr. Andrew Chua Thiam Chwee were appointed as the Independent Director on 30 September 2015.
(2) Mr. Mahtani Bhagwandas and Ms. Angelic Cheah Yee Ping were resigned as the Independent Director on 30 September 2015.

A breakdown, showing the level and mix of top key management personnel who are not Directors or the CEO of the Company for FY2016 are as follows:–

| Name of Key Management Personnel | Salary % | Bonus % | Benefits % | Total % |
|---|---|---|---|---|
| **S$250,000 to S$500,000** | | | | |
| Chai Hwee Hoon, Doreen | 78 | 21 | 1 | 100 |
| Neo Hwee Lee, Marina(1) | 68 | 31 | 1 | 100 |
| **Below S$250,000** | | | | |
| Chua Wei Chye Lawrence(2) | 94 | – | 6 | 100 |
| Ben Teo Teck Sing(3) | 87 | 11 | 2 | 100 |
| Li Zi Yan | 87 | 12 | 1 | 100 |
| Goh Lay Nah(4) | 63 | 24 | 13 | 100 |
| Toh Cheng Chye | 88 | 11 | 1 | 100 |

# REPORT OF
# CORPORATE GOVERNANCE

Notes:

(1) Ms. Neo Hwee Lee, Marina is the sister of Mr. Neo Cheow Hui.
(2) Mr. Chua Wei Chye Lawrence was appointed as the Senior Financial Controller with effect from 30 June 2016.
(3) Mr. Ben Teo Teck Sing had resigned as the Chief Financial Officer with effect from 30 June 2016.
(4) Ms. Goh Lay Nah joined the Group after the acquisition of Marquis Service Pte. Ltd on 15 December 2015.

Details of remuneration paid to the immediate family member of Directors or substantial shareholders for FY2016 are as follows:-

| Name of Immediate Family Member | Salary | Bonus | Benefits | Total |
|---|---|---|---|---|
| | % | % | % | % |
| **S$250,000 to S$500,000** | | | | |
| Neo Hwee Lee, Marina | 68 | 31 | 1 | 100 |

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 FY2016, the aggregate total remuneration paid to the key management personnel (who are not the Directors or the CEO) of the Company amounted to S$1,445,684.99.

For FY2016, 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 Annual Report and that the disclosure based on the above remuneration bands is appropriate.

## 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 the shareholders on the Group's position, performance and progress. The objectives of the presentation of the annual audited financial statements, full year, half-yearly and quarterly results to its shareholders are to provide the shareholders 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 auditors 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 Company**

  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 Company'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 Company 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 Company will be assessed regularly by key management personnel and risk reports covering top risks to the Group will be submitted to the Audit Committee 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.

The Company is in the process of implementing a Control Self-Assessment ("CSA") exercise covering key operating areas in the Group. These exercises comprise internal control questionnaires to be completed by staff to assess level of effectiveness of internal controls and risk countermeasures. This CSA covers all the key business processes of the Group and results of the CSA exercise will be included in the periodic risk reports to the Audit Committee.

# 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:

a. 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

b. 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 the Group's Management throughout the FY2016 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 auditors and external auditors;
- 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. Er Kwong Wah | (Chairman) |
| Mr. Ho Ying Ming | |
| Mr. Andrew Chua Thiam Chwee | |

Mr. Ho Ying Ming and Mr. Andrew Chua Thiam Chwee were appointed as the members of the AC with effect from 30 September 2015.

Mr. Er Kwong Wah was appointed as the Lead Independent Director of the Company with effect from 4 August 2016.

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

# REPORT OF CORPORATE GOVERNANCE

The AC schedules a minimum of four 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 auditors' 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.

The Chairman of the AC, Mr. Er Kwong Wah ("**Mr. Er**"), is a former senior civil servant. Mr. Er is the Executive Director of the East Asia Institute of Management. He also sits as an Independent Director on the Board of several public listed companies. 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. 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 auditors and approves the remuneration of the external auditors. The AC has recommended to the Board that Messrs Ernst & Young LLP be nominated for the re-appointment as the external auditors of the Company at the forthcoming AGM.

The AC will meet with the external auditors and internal auditors, 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 auditors.

Annually, the AC meets with the external auditors and internal auditors without the presence of the Management and conduct a review of all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services does not affect the independence and objectivity of the external auditors. Fees paid or payable by the Company to the external auditors for non-audit services and audit services for FY2016 amounted to S$31,000 and S$176,000 respectively.

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 auditors.

# REPORT OF CORPORATE GOVERNANCE

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 to-date, 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 auditors. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

**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 Messrs BDO LLP ("BDO") as its outsourced internal auditors. 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.

BDO reports primarily to the AC on internal audit matters. The AC reviews and approves the hiring, removal and evaluates its outsourced internal auditors. 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 auditors 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 auditors may be involved in ad hoc projects initiated by the Management which require the assurance of the internal auditors 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 Auditors. As the Company's outsourced internal auditors, 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 Companies Act, Chapter 50, 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 up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's Constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, 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.

### 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 report that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act 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 notice of AGM and EGM are also advertised in a national newspaper.

The Company's website at http://www.gke.com.sg/ at which our 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 has engaged a team of investor relations ("**IR**") personnel who focus on facilitating the communications with all stakeholders -shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance.

# REPORT OF CORPORATE GOVERNANCE

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 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.

Dividends of SGD 0.006 per share were declared for FY2016.

**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 requests.

The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. Furthermore, the external auditors are 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 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 the interested person transactions.

## (G) MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 120 4(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) USE OF PROCEEDS

During the financial year 2015, the Company had raised a net proceeds of S$12.6 million ("**Net Proceeds**") from the issuance of new ordinary shares in relation to the Rights Issue. The Net Proceeds has been fully utilised during FY2016.

The details on the utilisation of the Net Proceeds are in the table below:

| | **Amount (S$'million)** |
|---|---|
| Net proceeds from the Rights Issue | 12.6 |
| | |
| **Purpose** | |
| Payment for carrier vessel | (4.5) |
| Payment for working capital requirements | (3.1) |
| Repayment of the Group's borrowings | (5.0) |
| **Net proceeds balance** | **0** |

## (I) RISK MANAGEMENT

The Group has strategies for the management of financial risks which have been reviewed by the external auditors. The issues are outlined in Note 34 of the financial statements.

# REPORT OF **CORPORATE GOVERNANCE**

## (J) 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.. In compliance with Rule 1204(21) of the Rules of Catalist, there was a non-sponsor fee of S$3,000 paid to the sponsor for FY2016 for the rigorous assessment and review of a director who has served the Board beyond 9 years.

The Company paid an aggregate of approximately S$30,000 to RHT Capital's affiliate, RHT Corporate Advisory Pte. Ltd., for corporate advisory services rendered to the Company for FY2016.

# 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. Liu Ji Chun | Non-Executive Director | Board Member | Nil | Nil |
| Mr. Er Kwong Wah | Lead Independent Director | Board Member, Chairman of Audit Committee, Chairman of Remuneration Committee and Member of Nominating Committee | • COSCO Corporation (S) Limited<br>• China Essence Group Ltd.<br>• Eucon Holding Limited<br>• China Sky Chemical Fibre Co., Ltd<br>• CFM Holdings Ltd<br>• C Y Foundation Limited | • Hartawan Holdings Ltd (now known as Wilton Resources Corporation Ltd.)<br>• China Oilfield Technology Services Group Limited |
| Mr. Andrew Chua Thiam Chwee | Independent Director | Board Member, Chairman of Nominating Committee, Member of Audit Committee and Member of Remuneration Committee | • Transcorp Holdings Limited<br>• Lum Chang Holdings Limited | Nil |
| Mr. Ho Ying Ming | Independent Director | Board Member, Member of Audit Committee, Member of Nominating Committee and Member of Remuneration Committee | • Partner of Shook Lin & Bok LLP | Nil |

# DIRECTORS' **STATEMENT**

The Directors are pleased to present their report 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 2016.

## 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 2016 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 report are:

| | |
|---|---|
| Chen Yong Hua | (Executive Chairman and Executive Director) |
| Neo Cheow Hui | (Chief Executive Officer and Executive Director) |
| Qian Wen Hua | (Executive Director) |
| Liu Ji Chun | (Non-Executive Director) |
| Er Kwong Wah | (Lead Independent Director) |
| Ho Ying Ming | (Independent Director) |
| Andrew Chua Thiam Chwee | (Independent Director) |

In accordance with Regulation 107 and 117 of the Company's Constitution, Neo Cheow Hui, Er Kwong Wah, Andrew Chua Thiam Chwee, Ho Ying Ming would be retiring and being eligible, offer themselves for re-election at the forthcoming AGM for the financial year ended 31 May 2016.

## 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:

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| **Name of Director** | **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** |
| *Ordinary shares of the Company* | | | | |
| Chen Yong Hua | 67,200,000 | 67,200,000 | – | – |
| Neo Cheow Hui | 10,000,000 | 27,445,300 | 17,445,300 | – |
| Qian Wen Hua | 56,760,000 | 56,760,000 | – | – |
| Liu Ji Chun | – | – | 33,997,600 | 33,997,600 |
| Wang Jian Ping | – | – | 18,897,200 | 18,897,200 |

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 June 2016.

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

# DIRECTORS' **STATEMENT**

## Audit Committee (cont'd)

- Met with the external 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

- 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.

## Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Neo Cheow Hui
Director

Qian Wen Hua
Director

Singapore
26 August 2016

# INDEPENDENT AUDITOR'S REPORT

For the Financial Year Ended 31 May 2016

## Report on the Financial Statements

We have audited the accompanying financial statements of GKE Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 47 to 130, which comprise the balance sheets of the Group and the Company as at 31 May 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2016 and of 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.

# INDEPENDENT
# AUDITOR'S REPORT

For the Financial Year Ended 31 May 2016

### 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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

26 August 2016

# CONSOLIDATED
# INCOME STATEMENT

For the Financial Year Ended 31 May 2016

| | Note | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|---|
| **Revenue** | 4 | **36,873** | 36,200 |
| Cost of sales | | **(27,157)** | (26,965) |
| **Gross profit** | | **9,716** | 9,235 |
| **Other income** | 5 | **15,749** | 964 |
| **Expenses** | | | |
| Marketing and distribution costs | | **(123)** | (190) |
| Administrative expenses | | **(14,973)** | (12,340) |
| Finance costs | 6 | **(2,066)** | (1,780) |
| Other expenses | 7 | **(308)** | – |
| Share of results of associates | | **(543)** | 7 |
| Share of results of joint venture | | **(211)** | (1) |
| **Profit/(loss) before tax** | 8 | **7,241** | (4,105) |
| Income tax expense | 9 | **(1,367)** | (578) |
| **Profit/(loss) for the year, net of tax** | | **5,874** | (4,683) |
| **Attributable to:** | | | |
| Owners of the Company | | **5,709** | (3,821) |
| Non-controlling interests | | **165** | (862) |
| **Profit/(loss) for the year** | | **5,874** | (4,683) |
| **Earnings per share (cents per share) attributable to Owners of the Company** | | | |
| Basic | 10 | **0.89** | (0.78) |
| Diluted | 10 | **0.89** | (0.78) |

*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 2016

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Profit/(loss) for the year** | **5,874** | (4,683) |
| **Other comprehensive income:** | | |
| ***Items that will not be reclassified to profit or loss*** | | |
| Revaluation surplus transferred to retained earnings | **2,328** | – |
| ***Items that may be reclassified subsequently to profit or loss*** | | |
| Fair value gain/(loss) on available-for-sale investments | **312** | (125) |
| Foreign currency translation | **(564)** | 1,554 |
| Share of foreign currency translation of associates | **(57)** | 311 |
| Other comprehensive income for the year, net of tax | **2,019** | 1,740 |
| **Total comprehensive income for the year** | **7,893** | (2,943) |
| **Attributable to:** | | |
| Owners of the Company | **7,884** | (2,358) |
| Non-controlling interests | **9** | (585) |
| **Total comprehensive income for the year** | **7,893** | (2,943) |

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

# BALANCE **SHEETS**

As at 31 May 2016

| | Note | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | **90,422** | 115,422 | **185** | 89 |
| Land use rights | 12 | **5,083** | 5,389 | **–** | – |
| Intangible assets | 13 | **3,323** | – | **–** | – |
| Investments in subsidiaries | 16 | **–** | – | **53,202** | 45,998 |
| Investments in associates | 17 | **3,189** | 9,830 | **3,189** | 6,615 |
| Investment in joint venture | 18 | **9,237** | 4,511 | **–** | – |
| Available-for-sale investments | 19 | **723** | 509 | **723** | 509 |
| Other receivables | 20 | **–** | – | **5,288** | 7,159 |
| Total non-current assets | | **111,977** | 135,661 | **62,587** | 60,370 |
| **Current assets** | | | | | |
| Inventories | 21 | **281** | – | **–** | – |
| Trade and other receivables | 20 | **12,119** | 12,028 | **23,479** | 9,007 |
| Prepaid operating expenses | | **520** | 349 | **25** | 25 |
| Cash and cash equivalents | 22 | **30,768** | 18,442 | **98** | 12,672 |
| Total current assets | | **43,688** | 30,819 | **23,602** | 21,704 |
| **Total assets** | | **155,665** | 166,480 | **86,189** | 82,074 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 23 | **74,831** | 74,831 | **74,831** | 74,831 |
| Treasury shares | 24 | **(1,537)** | (848) | **(1,537)** | (848) |
| Accumulated profit/(losses) | | **5,425** | (14,021) | **(11,356)** | (15,331) |
| Other reserves | 25 | **6,289** | 17,851 | **312** | – |
| **Equity attributable to owners of the Company** | | **85,008** | 77,813 | **62,250** | 58,652 |
| Non-controlling interests | | **4,928** | 4,326 | **–** | – |
| **Total equity** | | **89,936** | 82,139 | **62,250** | 58,652 |
| **Net current assets** | | **25,051** | 13,341 | **48** | 15,887 |

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

# BALANCE **SHEETS**

As at 31 May 2016

| | Note | Group 2016 $'000 | Group 2015 $'000 | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Other liabilities | 26 | **408** | – | **385** | – |
| Borrowings | 27 | **43,516** | 61,155 | **–** | 17,595 |
| Deferred tax liabilities | 28 | **1,910** | 4,748 | **–** | 10 |
| Finance lease liabilities | 29 | **910** | 595 | **–** | – |
| Loan from non-controlling interests | 30 | **348** | 365 | **–** | – |
| Total non-current liabilities | | **47,092** | 66,863 | **385** | 17,605 |
| **Current liabilities** | | | | | |
| Trade and other payables | 30 | **5,077** | 3,996 | **21,295** | 403 |
| Other liabilities | 26 | **3,702** | 2,949 | **2,163** | 763 |
| Borrowings | 27 | **4,302** | 8,219 | **–** | 4,576 |
| Finance lease liabilities | 29 | **2,072** | 1,097 | **83** | – |
| Tax payable | | **3,484** | 1,217 | **13** | 75 |
| Total current liabilities | | **18,637** | 17,478 | **23,554** | 5,817 |
| **Total liabilities** | | **65,729** | 84,341 | **23,939** | 23,422 |
| **Total equity and liabilities** | | **155,665** | 166,480 | **86,189** | 82,074 |

*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 2016

| 2016 Group | Note | Share capital $'000 | Treasury shares $'000 | (Accumulated losses) /Retained earnings $'000 | Other reserves, total $'000 | Fair-value reserve $'000 | Translation reserve $'000 | Revaluation reserve $'000 | Capital reserve $'000 | Total equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Opening balance at 1 June 2015 | | 74,831 | (848) | (14,021) | 17,851 | – | 1,886 | 15,923 | 42 | 77,813 | 4,326 | 82,139 |
| Profit for the year | | – | – | 5,709 | – | – | – | – | – | 5,709 | 165 | 5,874 |
| Other comprehensive income: | | | | | | | | | | | | |
| - Fair value gain on available-for-sale investments | | – | – | – | 312 | 312 | – | – | – | 312 | – | 312 |
| - Disposal of property, plant and equipment | | – | – | 13,695 | (11,367) | – | – | (11,367) | – | 2,328 | – | 2,328 |
| - Foreign currency translation | | – | – | – | (408) | – | (376) | (32) | – | (408) | (156) | (564) |
| - Share of other comprehensive income of associates | | – | – | – | (57) | – | (57) | – | – | (57) | – | (57) |
| Other comprehensive income for the year, net of tax | | – | – | 13,695 | (11,520) | 312 | (433) | (11,399) | – | 2,175 | (156) | 2,019 |
| **Total comprehensive income for the year** | | – | – | 19,404 | (11,520) | 312 | (433) | (11,399) | – | 7,884 | 9 | 7,893 |
| Contributions by and distributions to owners | | | | | | | | | | | | |
| - Purchase of treasury shares | 24 | – | (689) | – | – | – | – | – | – | (689) | – | (689) |
| **Total contributions by and distributions to owners** | | – | (689) | – | – | – | – | – | – | (689) | – | (689) |
| Changes in ownership interests in subsidiaries | | | | | | | | | | | | |
| - Subsidiary struck off | | – | – | 42 | (42) | – | – | – | (42) | – | – | – |
| - Acquisition of subsidiary | | – | – | – | – | – | – | – | – | – | 593 | 593 |
| **Total changes in ownership interests in subsidiaries** | | – | – | 42 | (42) | – | – | – | (42) | – | 593 | 593 |
| **Total transactions with owners in their capacity as owners** | | – | (689) | 42 | (42) | – | – | – | (42) | (689) | 593 | (96) |
| Closing balance at 31 May 2016 | | 74,831 | (1,537) | 5,425 | 6,289 | 312 | 1,453 | 4,524 | – | 85,008 | 4,928 | 89,936 |

*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 2016

| 2015 Group | Note | Share capital $'000 | Treasury shares $'000 | Accumulated losses $'000 | Other reserves, total | Fair-value reserves $'000 | Translation reserve $'000 | Revaluation reserve $'000 | Capital reserve $'000 | Total equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Opening balance at 1 June 2014 | | 62,215 | (848) | (10,200) | 16,346 | 125 | 349 | 15,872 | – | 67,513 | 4,916 | 72,429 |
| Loss for the year | | – | – | (3,821) | – | – | – | – | – | (3,821) | (862) | (4,683) |
| Other comprehensive income: | | | | | | | | | | | | |
| - Fair value loss on available-for-sale investments | | – | – | – | (125) | (125) | – | – | – | (125) | – | (125) |
| - Foreign currency translation | | – | – | – | 1,277 | – | 1,226 | 51 | – | 1,277 | 277 | 1,554 |
| - Share of other comprehensive income of associates | | – | – | – | 311 | – | 311 | – | – | 311 | – | 311 |
| Other comprehensive income for the year, net of tax | | – | – | – | 1,463 | (125) | 1,537 | 51 | – | 1,463 | 277 | 1,740 |
| **Total comprehensive income for the year** | | – | – | (3,821) | 1,463 | (125) | 1,537 | 51 | – | (2,358) | (585) | (2,943) |
| Contributions by and distributions to owners | | | | | | | | | | | | |
| - Issue of new shares | 23 | 12,616 | – | – | – | – | – | – | – | 12,616 | – | 12,616 |
| **Total contributions by and distributions to owners** | | 12,616 | – | – | – | – | – | – | – | 12,616 | – | 12,616 |
| Changes in ownership interests in subsidiaries | | | | | | | | | | | | |
| - Disposal of subsidiary | | – | – | – | – | – | – | – | – | – | 37 | 37 |
| - Acquisition of non-controlling interests without a change in control | | – | – | – | 42 | – | – | – | 42 | 42 | (42) | – |
| **Total changes in ownership interests in subsidiaries** | | – | – | – | 42 | – | – | – | 42 | 42 | (5) | 37 |
| **Total transactions with owners in their capacity as owners** | | 12,616 | – | – | 42 | – | – | – | 42 | 12,658 | (5) | 12,653 |
| Closing balance at 31 May 2015 | | 74,831 | (848) | (14,021) | 17,851 | – | 1,886 | 15,923 | 42 | 77,813 | 4,326 | 82,139 |

*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 2016

| Company | Note | Share capital $'000 | Treasury shares $'000 | Accumulated losses $'000 | Fair-value reserves $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Opening balance at 1 June 2015 | | 74,831 | (848) | (15,331) | – | 58,652 |
| Profit for the year | | – | – | 3,975 | – | 3,975 |
| Other comprehensive income: | | | | | | |
| - Fair value gain on available-for-sale investments | | – | – | – | 312 | 312 |
| Other comprehensive income for the year, net of tax | | – | – | – | 312 | 312 |
| **Total comprehensive income for the year** | | – | – | 3,975 | 312 | 4,287 |
| Contributions by and distributions to owners | | | | | | |
| - Purchase of treasury shares | 24 | – | (689) | – | – | (689) |
| **Total contributions by and distributions to owners** | | – | (689) | – | – | (689) |
| Closing balance at 31 May 2016 | | 74,831 | (1,537) | (11,356) | 312 | 62,250 |
| Opening balance at 1 June 2014 | | 62,215 | (848) | (9,216) | 125 | 52,276 |
| Loss for the year | | – | – | (6,115) | – | (6,115) |
| Other comprehensive income: | | | | | | |
| - Fair value loss on available-for-sale investments | | – | – | – | (125) | (125) |
| Other comprehensive income for the year, net of tax | | – | – | – | (125) | (125) |
| **Total comprehensive income for the year** | | – | – | (6,115) | (125) | (6,240) |
| Contributions by and distributions to owners | | | | | | |
| - Issue of new shares | 23 | 12,616 | – | – | – | 12,616 |
| **Total contributions by and distributions to owners** | | 12,616 | – | – | – | 12,616 |
| Closing balance at 31 May 2015 | | 74,831 | (848) | (15,331) | – | 58,652 |

*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 2016

| | Note | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit/(loss) before tax | | **7,241** | (4,105) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 11 | **6,909** | 7,915 |
| Amortisation of land use rights | 12 | **113** | 91 |
| Amortisation of customer relationship | 13 | **127** | – |
| Dividend income from available-for-sale investments | 5 | **–** | (5) |
| Gain on disposal of associate | 5,14 | **(1,168)** | – |
| (Gain)/loss on disposal of property, plant and equipment | 5 | **(13,917)** | 788 |
| Allowance for doubtful trade receivables | 8 | **11** | 237 |
| Bad debts written off | 8 | **26** | 23 |
| Impairment of available-for-sale investments | 8 | **98** | 199 |
| Impairment of investment in associate | 8,17 | **3,916** | – |
| Interest expense | 6 | **2,066** | 1,780 |
| Interest income | 5 | **(41)** | (38) |
| Property, plant and equipment written off | 8 | **76** | 2 |
| Share of results of joint venture | | **211** | 1 |
| Share of results of associates | | **543** | (7) |
| Effect of exchange rate changes | | **529** | (141) |
| **Operating cash flows before changes in working capital** | | **6,740** | 6,740 |
| Changes in working capital: | | | |
| Increase in inventories | | **(281)** | – |
| Decrease/(increase) in trade and other receivables | | **1,579** | (1,406) |
| Increase in prepaid operating expenses | | **(171)** | (31) |
| (Decrease)/increase in trade and other payables | | **(1,836)** | 2,010 |
| Increase/(decrease) in other liabilities | | **767** | (1,104) |
| **Cash flows from operations** | | **6,798** | 6,209 |
| Interest received | | **41** | 38 |
| Net income tax (paid)/tax refunded | | **(370)** | 9 |
| **Net cash flows from operating activities** | | **6,469** | 6,256 |

*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 2016

| | Note | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Cash flows from investing activities:** | | | |
| Dividend income from available-for-sale investments | | – | 5 |
| Net cash outflow on disposal of subsidiary | 15 | – | (59) |
| Net cash outflow on acquisition of subsidiary | 16 | **(743)** | – |
| Cash outflow on investment in joint venture | 18 | **(4,712)** | – |
| Proceeds from disposal of associate | 14 | **3,300** | – |
| Proceeds from disposal of property, plant and equipment | | **44,842** | 2,845 |
| Purchase of property, plant and equipment and land use rights | | **(11,298)** | (3,325) |
| **Net cash generated from/(used in) investing activities** | | **31,389** | (534) |
| **Cash flows from financing activities:** | | | |
| Proceeds from rights issue | 23 | – | 12,675 |
| Share issuance expense | 23 | – | (59) |
| Repayment of obligations under finance leases | | **(1,056)** | (2,841) |
| Interest paid | | **(2,066)** | (1,759) |
| Proceeds from loans and borrowings | | **4,320** | 3,500 |
| Repayment of loans and borrowings | | **(25,981)** | (4,271) |
| Purchase of treasury shares | 24 | **(689)** | – |
| **Net cash (used in)/generated from financing activities** | | **(25,472)** | 7,245 |
| **Net increase in cash and cash equivalents** | | **12,386** | 12,967 |
| Cash and cash equivalents at 1 June | | **18,442** | 5,210 |
| Effect of exchange rate changes on cash and cash equivalents | | **(60)** | 265 |
| **Cash and cash equivalents at 31 May** | 22 | **30,768** | 18,442 |

*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 2016

## 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 30 Pioneer Road, Singapore 628502.

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 16 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 ("FRS").

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.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 June 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 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 |
|---|---|
| Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to FRS 16 and FRS 41 Agriculture - Bearer Plants | 1 January 2016 |
| Amendments to FRS 27 Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Improvements to FRSs (November 2014) | |
| (a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* | 1 January 2016 |
| (b) Amendments to FRS 107 *Financial Instruments: Disclosures* | 1 January 2016 |
| (c) Amendments to FRS 19 *Employee benefits* | 1 January 2016 |
| (d) Amendments to FRS 34 Interim Financial Reporting | 1 January 2016 |
| Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | To be determined |
| Amendments to FRS 1 *Disclosure Initiative* | 1 January 2016 |
| Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| Amendments to FRS 7: *Disclosure Initiative* | 1 January 2017 |
| Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses* | 1 January 2017 |
| FRS 115 *Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 109 *Financial Instruments* | 1 January 2018 |
| FRS 116 *Leases* | 1 January 2019 |

Except for FRS 115 Revenue from Contracts with Customers, FRS 109 Financial Instruments and FRS 116 Leases, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 115, FRS 109 and FRS 116 are described below:

<u>FRS 115 Revenue from Contracts with Customers</u>

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers.

Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

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

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

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 Leases

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard is effective for annual periods beginning on or after 1 January 2019. Either a full or modified retrospective application is required, with early application permitted.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities and change in gearing ratio.

### 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.

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

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

(a) *Basis of consolidation (cont'd)*

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 controls is lost;
- 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;
- 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 2016

## 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.

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

### 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 other than leasehold land, buildings and improvements are measured at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land, buildings and improvements are measured at fair value less accumulated depreciation and any impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold land, buildings and improvements at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

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 |
| Furniture, fittings and office equipment | – | 1 to 5 years |
| Motor vehicles, trailers and forklifts | – | 5 to 10 years |
| Warehouse equipment | – | 2 to 15 years |
| Cranes and cranes equipment | – | 14 to 26 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 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 relationship

The customer relationship was acquired in business combinations and is amortised on a straight line basis over its finite useful life of 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.

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. Summary of significant accounting policies (cont'd)

### 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.

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. Summary of significant accounting policies (cont'd)

### 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 investment in joint venture 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 Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

### 2.14 *Financial instruments (cont'd)*

#### (a) *Financial assets (cont'd)*

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets 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 that impairment losses, foreign exchange gains and losses on monetary instruments 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 de-recognised.

*De-recognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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 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.

*De-recognition*

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

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

### 2.15 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

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

### 2.16 *Cash and cash equivalents*

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

### 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 period 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. 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 2016

## 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. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

### 2.22 *Leases*

*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.

*As lessor*

Leases where the Group retains 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 2.23(d). Contingent rents are recognised as revenue in the period in which they are earned.

*Sales and leaseback transaction*

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.

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

### 2.22 *Leases (cont'd)*

*Sales and leaseback transaction (cont'd)*

If a sales and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognised immediately.

### 2.23 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Rendering of services*

Revenue from services is recognised during the financial year in which the services are rendered.

(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.

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

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

### 2.24 *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.

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, 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.

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

### 2.24 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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 recognised outside profit or loss 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.

(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.

### 2.25 *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.

### 2.26 *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. Summary of significant accounting policies (cont'd)

### 2.27 *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.

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. However, 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*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

*Impairment of available-for-sale investments*

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 May 2016, the amount of impairment loss recognised for available-for-sale financial asset was $98,000 (2015: $199,000). The carrying amount of available-for-sale equity instruments as at 31 May 2016 was $723,000 (2015: $509,000).

## 3. Significant accounting judgments and estimates (cont'd)

### 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.

*Impairment of investments in associate*

The Group assesses at the end of each reporting period whether there is any objective evidence that the investments in associates are impaired. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the associate's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the recoverable amount is determined based on value in use calculations using cash flows projections. The value in use calculations are based on a 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 revenue growth rate and the long term growth rate used to extrapolate cash flow projections beyond five year period

The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 17 to the financial statements. The carrying amount of the investments in associates as at 31 May 2016 is $3,189,000 (2015: $9,830,000).

*Fair value of leasehold land, buildings and improvements*

The Group carries its leasehold land, buildings and improvements at fair value, with changes in fair values being recognised in other comprehensive income. The Group engaged independent real estate valuation experts ("Valuers") to assess the fair values as at 31 May 2015. The valuation techniques used by the Valuers comprise the capitalisation approach and comparative method. The key assumptions used to determine the fair value of these leasehold land, buildings and improvements are provided in Note 33.

An internal assessment was performed by the management during the financial year and no further revaluation was performed for the properties because the market values and carrying values do not differ significantly. The carrying amounts of the leasehold land, buildings and improvement as at 31 May 2016 were $75,336,000 (2015: $107,209,000).

## 4. Revenue

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Services rendered | **22,580** | 21,861 |
| Rental income | **14,293** | 14,339 |
| | **36,873** | 36,200 |

# NOTES TO
# THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 May 2016

## 5. Other income

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Dividend income from available-for-sale investments | – | 5 |
| Gain on disposal of associate | 1,168 | – |
| Gain on disposal of property, plant and equipment | 13,917 | – |
| Grant received from government | 325 | 201 |
| Interest income | 41 | 38 |
| Net foreign exchange gain | – | 658 |
| Service charges | 196 | 17 |
| Rental income | 55 | 43 |
| Others | 47 | 2 |
| | 15,749 | 964 |

## 6. Finance costs

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Interest expense on: | | |
| - Bank loans | 1,895 | 1,644 |
| - Bank overdrafts | – | 17 |
| - Obligations under finance leases | 149 | 98 |
| - Loan from non-controlling interests | 22 | 21 |
| Total finance costs | 2,066 | 1,780 |

## 7. Other expenses

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Net foreign exchange loss | 308 | – |

## 8. Profit/(loss) before tax

The following items have been included in arriving at profit/(loss) before tax:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Audit fees paid to: | | |
| - Auditors of the Company | **176** | 151 |
| - Other auditors | **21** | 19 |
| Non-audit fees paid to auditors of the Company | | |
| - Auditors of the Company | **31** | 24 |
| - Other auditors | **31** | 93 |
| Amortisation of land use rights | **113** | 91 |
| Amortisation of customer relationship | **127** | – |
| Allowance for doubtful trade receivables | **11** | 237 |
| Bad debts written off | **26** | 23 |
| Depreciation of property, plant and equipment | **6,909** | 7,915 |
| Impairment of available-for-sale investments | **98** | 199 |
| Impairment of investment in associate | **3,916** | – |
| Employee benefits expense (including directors) | | |
| - Salaries and related cost | **13,252** | 12,061 |
| - Contribution to defined contribution plans | **1,058** | 931 |
| Property, plant and equipment written off | **76** | 2 |
| Loss on disposal of property, plant and equipment | **–** | 788 |
| Operating lease expense | **3,533** | 2,575 |
| Legal and professional fee | **793** | 2,184 |
| Bank charges | **347** | 40 |

Employee benefits expense is inclusive of directors and key management personnel remuneration as set out in Note 37(b).

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 9. Income tax expense

### (a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 May 2016 and 2015 are:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Consolidated income statement:** | | |
| Current income tax: | | |
| - Current income taxation | 2,244 | 692 |
| - Under/(over) provision in respect of previous years | 2 | (98) |
| | 2,246 | 594 |
| Deferred income tax: | | |
| - Origination and reversal of temporary differences | (325) | (20) |
| - (Over)/under provision in respect of previous years | (554) | 4 |
| | (879) | (16) |
| Income tax expense recognised in profit or loss | 1,367 | 578 |

**Statement of comprehensive income:**

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Deferred tax expense related to other comprehensive income: | | |
| - Net loss on fair value of available-for-sale investments | – | (26) |
| - Disposal on property, plant and equipment | (2,328) | – |
| - Others | – | 26 |
| | (2,328) | – |

## 9. 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 2016 and 2015 is as follows:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Accounting profit/(loss) before tax | **7,241** | (4,105) |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | **1,227** | (1,096) |
| Adjustments: | | |
| Non-deductible expenses | **2,181** | 2,131 |
| Income not subject to taxation | **(692)** | (393) |
| Effect of tax incentives | **(613)** | (122) |
| Current year losses for which no deferred tax asset is recognised | **–** | 216 |
| Under/(over) provision in respect of prior years income tax | **2** | (98) |
| (Over)/under provision in respect of prior years deferred income tax | **(554)** | 4 |
| Share of results of associates | **(92)** | 1 |
| Singapore statutory stepped income exemption | **(92)** | (77) |
| Others | **–** | 12 |
| Income tax expense recognised in profit or loss | **1,367** | 578 |

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 2016

## 10. Earnings per share

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Net profit/(loss)attributable to owners of the Company used in the computation of basic and diluted earnings per share | **5,709** | (3,821) |
| | **No. of shares** | **No. of shares** |
| | **'000** | **'000** |
| Weighted average number of ordinary shares for basic and diluted earnings per share computation | **638,676** | 489,363[(1)] |

The basic and diluted loss per share are calculated by dividing the profit/(loss) for the year 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. The basic and diluted loss per share are the same because there are no dilutive securities.

[(1)] In accordance to FRS 33, paragraph 27, the weighted average number of shares takes into account the bonus element in the rights issue to existing shareholders in the prior year. The prior year weighted average number of shares had taken into account the bonus element in the rights issue which had completed on 21 April 2015.

## 11. Property, plant and equipment

| Group | At valuation | At cost | | | | | |
|---|---|---|---|---|---|---|---|
| | Leasehold land, buildings and improvements | Furniture, fittings and office equipment | Motor vehicles, trailers and forklifts | Warehouse equipment | Cranes and cranes equipment | Assets under construction | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost or valuation:** | | | | | | | |
| At 1 June 2015 | 118,185 | 1,854 | 11,696 | 2,308 | 21 | 2,217 | 136,281 |
| Additions | 5,573 | 76 | 3,906 | 460 | – | 4,189[1] | 14,204 |
| Disposals | (35,045) | (8) | (907) | (224) | – | – | (36,184) |
| Write-off | (53) | (34) | (16) | (9) | (21) | – | (133) |
| Acquisition of subsidiary | – | – | 371 | – | – | – | 371 |
| Exchange differences | (741) | (2) | (142) | (2) | – | (187) | (1,074) |
| At 31 May 2016 | 87,919 | 1,886 | 14,908 | 2,533 | – | 6,219 | 113,465 |
| **Accumulated depreciation:** | | | | | | | |
| At 1 June 2015 | 10,976 | 1,495 | 6,946 | 1,435 | 7 | – | 20,859 |
| Depreciation charge for the year | 5,205 | 186 | 1,218 | 299 | 1 | – | 6,909 |
| Depreciation capitalised | 634[1] | – | – | – | – | – | 634 |
| Disposals | (4,198) | (7) | (870) | (184) | – | – | (5,259) |
| Write-off | (6) | (33) | (4) | (6) | (8) | – | (57) |
| Exchange differences | (28) | (2) | (13) | – | – | – | (43) |
| At 31 May 2016 | 12,583 | 1,639 | 7,277 | 1,544 | – | – | 23,043 |
| **Net carrying amount:** | | | | | | | |
| At 31 May 2016 | 75,336 | 247 | 7,631 | 989 | – | 6,219 | 90,422 |

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

# NOTES TO
# THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 May 2016

## 11. Property, plant and equipment (cont'd)

| Group | At valuation | At cost | | | | | |
|---|---|---|---|---|---|---|---|
| | Leasehold land, buildings and improvements | Furniture, fittings and office equipment | Motor vehicles, trailers and forklifts | Warehouse equipment | Cranes and cranes equipment | Assets under construction | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost or valuation:** | | | | | | | |
| At 1 June 2014 | 116,833 | 1,789 | 10,783 | 2,109 | 3,825 | – | 135,339 |
| Additions | 133 | 96 | 1,800 | 215 | 2 | 2,140 | 4,386 |
| Disposals | – | – | (927) | (16) | (3,806) | – | (4,749) |
| Write-off | – | (10) | – | – | – | – | (10) |
| Disposal of subsidiary | – | (22) | (22) | – | – | – | (44) |
| Exchange differences | 1,219 | 1 | 62 | – | – | 77 | 1,359 |
| At 31 May 2015 | 118,185 | 1,854 | 11,696 | 2,308 | 21 | 2,217 | 136,281 |
| **Accumulated depreciation and impairment loss:** | | | | | | | |
| At 1 June 2014 | 4,928 | 1,246 | 6,583 | 1,097 | 218 | – | 14,072 |
| Depreciation charge for the year | 6,037 | 272 | 1,095 | 353 | 158 | – | 7,915 |
| Disposals | – | – | (732) | (15) | (369) | – | (1,116) |
| Write-off | – | (8) | – | – | – | – | (8) |
| Disposal of subsidiary | – | (13) | (8) | – | – | – | (21) |
| Exchange differences | 11 | (2) | 8 | – | – | – | 17 |
| At 31 May 2015 | 10,976 | 1,495 | 6,946 | 1,435 | 7 | – | 20,859 |
| **Net carrying amount:** | | | | | | | |
| At 31 May 2015 | 107,209 | 359 | 4,750 | 873 | 14 | 2,217 | 115,422 |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 11. Property, plant and equipment (cont'd)

| Company | Furniture, fittings and office equipment | Motor vehicles | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Cost:** | | | |
| At 1 June 2015 | 173 | 910 | 1,083 |
| Additions | 2 | 209 | 211 |
| Disposals | (1) | (592) | (593) |
| At 31 May 2016 | 174 | 527 | 701 |
| **Accumulated depreciation:** | | | |
| At 1 June 2015 | 132 | 862 | 994 |
| Depreciation charge for the year | 26 | 89 | 115 |
| Disposals | (1) | (592) | (593) |
| At 31 May 2016 | 157 | 359 | 516 |
| **Net carrying amount:** | | | |
| At 31 May 2016 | 17 | 168 | 185 |
| **Cost:** | | | |
| At 1 June 2014 | 166 | 910 | 1,076 |
| Additions | 7 | – | 7 |
| At 31 May 2015 | 173 | 910 | 1,083 |
| **Accumulated depreciation:** | | | |
| At 1 June 2014 | 109 | 798 | 907 |
| Depreciation charge for the year | 23 | 64 | 87 |
| At 31 May 2015 | 132 | 862 | 994 |
| **Net carrying amount:** | | | |
| At 31 May 2015 | 41 | 48 | 89 |

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 11. Property, plant and equipment (cont'd)

***Sales and leaseback of property at 30 Pioneer Road***

On 15 April 2016, the Group has completed the sale of the property at 30 Pioneer Road ("the Property") for a consideration of $45 million. The Company and the purchaser had entered into a master lease agreement pursuant to which the Property will be leased back to the Company for a term of 5 years under operating lease.

The gain on disposal of the property amounting to $13,703,000 was included in other income in the consolidated income statement in accordance to FRS 17 paragraph 61.

During the year, the total gain/(loss) on disposal of property, plant and equipment amounted to $13,917,000 (2015: ($788,000)).

***Revaluation of leasehold land, buildings and improvements***

The Group's leasehold properties as at 31 May 2016 comprise the following:

| **Location** | **Title** | **Description** |
|---|---|---|
| No. 1 Jalan Besut<br>Singapore 619554 | Leasehold 25 years from 11 August 1994 | 3 single-storey detached warehouse building and an open-sided shed |
| No. 6 Pioneer Walk<br>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<br>Singapore 627725[(1)] | Leasehold 35 year and 11.5 months from 1 March 2001 | Single-storey warehouse and a single-storey detached factory with mezzanine office |
| No. 338 Yesheng Road<br>Yangshan Free Trade Port Area,<br>Pudong District, Shanghai.<br>The People's Republic of China | Leasehold 50 years from 9 November 2011 | 3-storey warehouse building with a 2-storey ancillary office building |
| 7 Kwong Min Road<br>Singapore 628710 | Leasehold 30 year with effect from 1 July 1998 | A 3-storey detached factory |

(1) The property at 39 Benoi Road was demolished and under re-development as at 31 May 2016.

The Group engaged Knight Frank Pte Ltd, an independent valuer to determine the fair value of the leasehold buildings located at 7 Kwong Min Road for the purpose of acquiring the property. Fair value is determined by reference to market based evidence. The date of the valuation was 13 April 2016.

The Group engaged Knight Frank Pte Ltd and Knight Frank (Shanghai) Property Consultants Co Ltd., independent valuers incorporated in Singapore and Shanghai, China respectively to determine the fair value of the leasehold buildings located at No. 1 Jalan Besut, No. 6 Pioneer Walk and No. 338 Yesheng Road, Yangshan Free Trade Port Area, Pudong District, Shanghai. Fair value was determined by reference to market based evidence. The date of the revaluation was 31 May 2015. Details of valuation techniques and inputs used are disclosed in Note 33.

## 11. Property, plant and equipment (cont'd)

***Revaluation of leasehold land, buildings and improvements (cont'd)***

The Group had not performed any further revaluation for these four properties in the current financial year because the market values and carrying values do not differ significantly.

If the leasehold land, buildings and improvements were measured using the cost model, the carrying amounts would be as follows:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| ***Leasehold land, buildings and improvements at 31 May:*** | | |
| Cost | **84,756** | 102,798 |
| Accumulated depreciation | **(12,056)** | (13,027) |
| Net carrying amount | **72,700** | 89,771 |

***Assets held under finance leases***

During the financial year, the Group acquired motor vehicles, trailers and forklifts with an aggregate cost of $2,324,000 (2015: $1,061,000) by means of finance leases.

The carrying amount of assets held under finance leases, primarily motor vehicles, trailers and forklifts and cranes and cranes equipment at the end of the reporting period was $5,226,000 (2015: $2,604,000).

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 $75,336,000 (2015: $107,209,000) are mortgaged to secure the Group's bank loans (Note 27).

# NOTES TO
# THE FINANCIAL STATEMENTS
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## 12. Land use rights

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Cost:** | | |
| At 1 June | **5,656** | 3,666 |
| Exchange differences | **(262)** | 358 |
| Additions | **52** | 1,632 |
| At 31 May | **5,446** | 5,656 |
| **Accumulated amortisation:** | | |
| At 1 June | **267** | 160 |
| Charge for the year | **113** | 91 |
| Exchange differences | **(17)** | 16 |
| At 31 May | **363** | 267 |
| **Net carrying amount:** | | |
| At 31 May | **5,083** | 5,389 |
| Amount to be amortised: | | |
| - Not later than one year | **109** | 114 |
| - Later than one year but not later than five years | **434** | 454 |
| - Later than five years | **4,540** | 4,821 |

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 46 years (2015: 47 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 49 years (2015: 50).

## 13. Intangible assets

| | Group | | |
|---|---|---|---|
| | Goodwill | Customer relationship | Total |
| | $'000 | $'000 | $'000 |
| **Cost:** | | | |
| At 1 June 2015 | – | – | – |
| - Acquisition of a subsidiary (Note 16c) | 1,315 | 2,135 | 3,450 |
| At 31 May 2016 | 1,315 | 2,135 | 3,450 |
| **Accumulated amortisation and impairment:** | | | |
| At 1 June 2015 | – | – | – |
| Amortisation | – | 127 | 127 |
| At 31 May 2016 | – | 127 | 127 |
| **Net carrying amount** | | | |
| At 1 June 2015 | – | – | – |
| At 31 May 2016 | 1,315 | 2,008 | 3,323 |

Customer relationship

Customer relationship relates to the ability to make regular contact with recurring customers. The useful life of the customer relationship is estimated to be 7 years.

Amortisation expense

The amortisation of customer relationship is included in "Administrative expenses" line item in the profit or loss.

Impairment testing of goodwill

The goodwill arose from acquisition of Marquis Services Pte Ltd ("Marquis") on 15 December 2015.

In accordance with FRS 36, paragraph 88 the goodwill shall be tested for impairment whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit.

As at 31 May 2016, the purchase price allocation in respect of the acquisition of Marquis was in progress and it was completed subsequent to the year end. As at 31 May 2016, there is no indication of impairment as Marquis has met its forecasted results for the period from the date of acquisition to 31 May 2016.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 14. Disposal of associate

On 16 September 2015, the Group entered into a sale agreement to dispose 100% of its equity interest in its wholly-owned subsidiary, Ever Flourish Development (HK) Co., Ltd ("Ever Flourish") at its carrying value.

The principal asset of Ever Flourish is an investment in associate, Maoming City Hung Ji Construction Materials Co., Ltd, ("Maoming") a company incorporated in People's Republic of China. Ever Flourish held 40% equity interest in Maoming.

The carrying value of net assets of Ever Flourish Development (HK) Co., Ltd recorded in the consolidated financial statement as at the date of disposal, and the effects of the disposal were:

| | Group<br>2016<br>$'000 |
|---|---|
| **Assets:** | |
| Investment in associate | 2,132 |
| Total assets | 2,132 |
| **Liabilities:** | |
| Trade and other payables | – |
| Carrying value of net assets | 2,132 |
| Cash consideration | 3,300 |
| Cash and cash equivalents of the subsidiary | – |
| Cash inflow on disposal | 3,300 |
| Cash received | 3,300 |
| Net assets derecognised | (2,132) |
| Gain on disposal | 1,168 |

As the net assets of Ever Flourish are primarily the investment in associate, the proceeds from disposal and the gain on disposal are attributable to the disposal of the associate. The gain on disposal amounting to $1,168,000 was included in other income in the consolidated income statement.

## 15. Disposal of subsidiary

GKE Air Logistics Pte Ltd

On 30 April 2015, the Group's subsidiary, GKE Freight Pte Ltd ("GKEF") entered into a sale and purchase of shares agreement to dispose its 60% equity interest in GKE Air Logistics Pte Ltd ("GKEAL"). As at the date of disposal, GKEAL was in net liabilities position of S$91,482.

Balance sheet disclosures

The major classes of assets and liabilities of GKEAL as at 31 May 2015 were as follows:

| | Group<br>2015<br>$'000 |
|---|---|
| **Assets:** | |
| Property, plant and equipment | 23 |
| Trade and other receivables | 239 |
| Prepaid operating expenses | 28 |
| Cash and bank balances | 5 |
| Total assets | 295 |
| **Liabilities:** | |
| Trade and other payables | (354) |
| Other liabilities | (32) |
| Liabilities directly associated with disposal group classified as held for sale | (386) |
| Net liabilities derecognised | (91) |
| Less: non-controlling interests | 37 |
| Net liabilities settled by cash payment | (54) |
| Cash and bank balances of subsidiary disposed | (5) |
| Net cash outflow on disposal of subsidiary | (59) |

As the impact of the disposal of GKEAL on the income statement, cash flow statement and loss per share were not material to the Group on the whole; these disclosures were thus not presented.

# NOTES TO
# THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 May 2016

## 16. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| ***Shares, at cost*** | | |
| At 1 June | **52,666** | 52,666 |
| Acquisition of subsidiary | **2,700** | – |
| Additional investment in subsidiary | **5,462** | – |
| Subsidiary struck off | **(900)** | – |
| At 31 May | **59,928** | 52,666 |
| Less: Impairment losses | **(6,726)** | (6,668) |
| | **53,202** | 45,998 |

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

| | | |
|---|---|---|
| At 1 June | **6,668** | 2,478 |
| Allowance for the year | **914** | 4,190 |
| Subsidiary struck off | **(856)** | – |
| At 31 May | **6,726** | 6,668 |

| Name of subsidiaries (Country of incorporation and principal place of business) | Principal activities | Effective percentage of equity held by Group 2016 % | 2015 % |
|---|---|---|---|
| ***Held by the Company*** | | | |
| GKE Private Limited [i] (Singapore) | Provision of warehousing services and trading business | **100** | 100 |
| GKE Warehousing & Logistics Pte Ltd [i] (Singapore) | Provision of warehousing, packing and transportation services | **100** | 100 |
| GKE Express Logistics Pte Ltd [i] (Singapore) | Provision of freight forwarding, transportation, warehousing and logistics services | **100** | 100 |
| GKE Freight Pte Ltd [i] (Singapore) | Provision of freight forwarding and transportation services | **100** | 100 |
| Van der Horst Logistics Limited [iii] (British Virgin Islands) | Investment holding | **65** | 65 |
| GKE & Mohseng Pte. Ltd [vi] (Singapore) | Provision of crane services for loading and unloading of cargo | **–** | 100 |
| GKE Holdings (HK) Co., Ltd. [v] (Hong Kong) | Investment holding | **100** | 100 |

**16. 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 2016 % | 2015 % |
|---|---|---|---|
| ***Held by the Company (cont'd)*** | | | |
| GKE Shipping Co., Ltd. [ii] (Hong Kong) | Investment holding | **100** | 100 |
| GKE Shipping Limited [iii] (British Virgin Islands) | Investment holding | **100** | – |
| GKE China Investment Pte. Ltd. [i] (Singapore) | Investment holding | **65** | 65 |
| Marquis Services Pte Ltd [vii] (Singapore) | Provision of freight forwarding, transportation, warehousing and logistics services | **70** | – |
| ***Held through Van der Horst Limited*** | | | |
| Van der Horst (Shanghai) Logistics Co., Ltd. [iv] (People's Republic of China) | Provision of storage and warehousing | **65** | 65 |
| ***Held through GKE Freight Pte Ltd*** | | | |
| PT GKE Investment [iii] (Indonesia) | Investment holding | **100** | 100 |
| ***Held through PT GKE Investment*** | | | |
| PT GKE Indonesia [iii] (Indonesia) | Provision of freight forwarding and transportation services | **100** | 100 |
| ***Held through GKE Holdings (HK) Co., Ltd*** | | | |
| Wuzhou Xing Jian Readymix Co., Ltd [ii] (People's Republic of China) | Producing and manufacturing of environmental friendly lightweight brick, building materials and cement products | **100** | 100 |
| Ever Flourish Development (HK) Co., Ltd [viii] (Hong Kong) | Investment holding | **–** | 100 |

i Audited by Ernst & Young LLP.

ii Not required to be audited during the financial year.

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

iv Audited by Shanghai Yinhu Certified Public Accountants.

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

vi It was struck off on 26 May 2016.

vii Acquired on 15 December 2015. Audited by HLB Atrede LLP.

viii The company was disposed on 30 September 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 16. Investments in subsidiaries (cont'd)

### a. *Impairment of investment in subsidiaries*

During the financial year, the Company carried out a review of the recoverable amounts of its investment in GKE Express Logistics Pte Ltd and GKE China Investment Pte Ltd as these subsidiaries had been persistently making losses. Consequently, the Company recorded an impairment loss of $914,000 (2015: $4,190,000) representing the write down of its investments in these subsidiaries to their recoverable amounts.

The recoverable amounts of the investment in GKE Express Logistics Pte Ltd and GKE China Investment Pte Ltd have been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection range from 8% to 10% (2015: 10% to 12%), and the forecasted growth rate used to extrapolate cash flow projections beyond five year period is 2% (2015: 2.5%).

### b. *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 | Profit/(loss) allocated to NCI during the reporting period $'000 | Accumulated NCI at the end of reporting period $'000 | Dividends paid to NCI $'000 |
|---|---|---|---|---|---|
| **31 May 2016:** | | | | | |
| Van der Horst (Shanghai) Logistics Co., Ltd. | People's Republic of China | 35% | (121) | 3,747 | – |
| Marquis Services Pte Ltd | Singapore | 30% | 197 | 791 | – |
| **31 May 2015:** | | | | | |
| Van der Horst (Shanghai) Logistics Co., Ltd. | People's Republic of China | 35% | 97 | 4,051 | – |

**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:

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 16. Investments in subsidiaries (cont'd)

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

**Summarised balance sheet**

| | Van der Horst (Shanghai) Logistics Co., Ltd | | Marquis Services Pte Ltd | |
|---|---|---|---|---|
| | **As at May 2016** | **As at May 2015** | **As at May 2016** | **As at May 2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Current | | | | |
| Assets | **705** | 551 | **2,284** | – |
| Liabilities | **(2,709)** | (2,142) | **(3,248)** | – |
| Net current liabilities | **(2,004)** | (1,591) | **(964)** | – |
| Non-current | | | | |
| Assets | **18,202** | 19,537 | **7,842** | – |
| Liabilities | **(5,493)** | (6,373) | **(4,241)** | – |
| Net non-current assets | **12,709** | 13,164 | **3,601** | – |
| Net assets | **10,705** | 11,573 | **2,637** | – |

**Summarised statement of comprehensive income**

| | Van der Horst (Shanghai) Logistics Co., Ltd | | Marquis Services Pte Ltd | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenue | **1,040** | 1,336 | **3,326** | – |
| (Loss)/profit before income tax expense | **(346)** | 279 | **859** | – |
| Income tax expense | **–** | – | **(201)** | – |
| (Loss)/profit after tax | **(346)** | 279 | **658** | – |
| Other comprehensive income | **(522)** | 867 | **–** | – |
| Total comprehensive income | **(868)** | 1,146 | **658** | – |

**Other summarised information**

| | Van der Horst (Shanghai) Logistics Co., Ltd | | Marquis Services Pte Ltd | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Net cash flows from operations | **442** | 709 | **787** | – |
| Acquisition of significant property, plant and equipment | **–** | – | **(5,583)** | – |

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 16. Investments in subsidiaries (cont'd)

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

**Significant restrictions**:

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

### c. *Acquisition of subsidiary*

On 15 December 2015 (the "acquisition date"), the Group acquired a 70% equity interest in Marquis, a provider of freight forwarding, transportation, warehousing and logistics services. Upon the acquisition, Marquis became a subsidiary of the Group.

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

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Marquis's net identifiable assets. The fair value of the identifiable assets and liabilities of Marquis as at the acquisition date were:

| | Fair value recognised on acquisition<br>$'000 |
|---|---|
| Customer relationship (Note 13) | 2,135 |
| Property, plant and equipment | 371 |
| Trade and other receivables | 1,707 |
| Cash and cash equivalents | 1,572 |
| | 5,785 |
| Trade and other payables | (2,917) |
| Other liabilities | (9) |
| Finance leases | (105) |
| Income tax payable | (390) |
| Deferred tax liabilities | (386) |
| | (3,807) |
| Total identifiable net assets at fair value | 1,978 |
| Non-controlling interest measured at the non-controlling interest's proportionate share of Marquis's net idenfiable assets | (593) |
| Goodwill arising from acquisition | 1,315 |
| | 2,700 |

## 16. Investments in subsidiaries (cont'd)

### c. *Acquisition of subsidiary (cont'd)*

| | Fair value recognised on acquisition $'000 |
|---|---|
| Consideration transferred for the acquisition of Marquis | |
| Cash paid | 2,315 |
| Contingent consideration recognised as at acquisition date | 385 |
| Total consideration transferred | 2,700 |
| Effect of the acquisition of Marquis on cash flows | |
| Total consideration for 70% equity interest acquired | 2,700 |
| Less: non-cash consideration | (385) |
| Consideration settled in cash | 2,315 |
| Less: Cash and cash equivalents of subsidiary acquired | (1,572) |
| Net cash outflow on acquisition | 743 |

Contingent consideration arrangement

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

5,000,000 ordinary shares shall be issued to the previous owner of Marquis, if Marquis generates a net profit before tax of $2,800,000 or greater for the period from 1 December 2015 to 30 November 2017.

In the event when the net profit before tax[1] generated fall below $2,800,000 ("Shortfall"), the consideration shall be as follows:

a) where the Shortfall is equal to or less than the sum of $625,000, the number of consideration shares issue shall be,

Number of consideration shares =
actual net profit before tax / target net profit before tax x 5,000,000

b) where the Shortfall exceeds the sum of $625,000, the 5,000,000 original shares shall not be issued. In addition, the previous owner of Marquis shall compensate the Group a sum in cash based on the following formula :

Compensation sum = Shortfall - $625,000

(1) Net profit before tax means profit before income tax, minority interests, non-recurring, one-off or other extraordinary items and depreciation for all fixed assets, other than the depreciation on the property.

# NOTES TO
# THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 May 2016

## 16. Investments in subsidiaries (cont'd)

### c. *Acquisition of subsidiary (cont'd)*

Contingent consideration arrangement (cont'd)

The fair value of the contingent consideration was estimated at $385,000. It was estimated that all 5,000,000 ordinary shares shall be issued to the previous owner of Marquis as the management believes Marquis will be able to generate a net profit before tax of $2,800,000 or greater for the period from 1 December 2015 to 30 November 2017. The contingent consideration was calculated using the published price of the shares at the acquisition date, which was valued at $0.077 each.

Management considered the net profit of Marquis for the year ended 31 May 2016 and assessed that Marquis is likely to achieve the target net profit before tax of $2,800,000 before 30 November 2017. Accordingly, no adjustment was made to the fair value of the contingent consideration at 31 May 2016.

Transaction costs

Transaction costs relating to the acquisition of Marquis amounting to $69,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 May 2016.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables and other receivables with fair values of $1,399,000 and $308,000 respectively. Their gross contractual amounts are same as the fair value amounts. It is expected that the receivables amount can be collected.

Trade and other payables assumed

Trade and other payables assumed comprise of dividends payable to previous shareholders of Marquis amounting to $2,673,000.

Goodwill arising from acquisition

The goodwill of $1,315,000 comprises the value of strengthening the Group's capabilities with marine logistics and chemical warehousing.

Impact of the acquisition on profit or loss

From the acquisition date, Marquis has contributed $3,326,000 of revenue and $764,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been $7,171,000 and the Group's profit from continuing operations, net of tax would have been $2,029,000.

## 16. Investments in subsidiaries (cont'd)

### c. *Acquisition of subsidiary (cont'd)*

Provisional accounting of the acquisition of Marquis

A customer relationship has been identified as an intangible asset arising from this acquisition (Note 13).

The Group has engaged an independent valuer to determine the fair value of the customer relationship. As at 31 May 2016, the fair value of the customer relationship amounting to $2,135,000 has been determined on a provisional basis as the final results of the independent valuation have not been received.

The final result of the independent valuation was subsequently received after the year end and prior to the date the financial statements was authorised for issue. There is no change in the fair value amount recognised on the customer relationship from the value that was determined on a provisional basis.

## 17. Investments in associates

The investments in associates are summarised below:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| GKE Metal Logistics Pte Ltd and its subsidiaries, at cost | **3,189** | 7,692 | **3,189** | 6,615 |
| Maoming City Hung Ji Construction Material Co Ltd | **–** | 2,138 | **–** | – |
| | **3,189** | 9,830 | **3,189** | 6,615 |

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 17. Investments in associates (cont'd)

| Name of associates (Country of incorporation and principal place of business) | Principal activities | Proportion of ownership interest | |
|---|---|---|---|
| | | **2016** | **2015** |
| | | **%** | **%** |
| ***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 GKE Metal Logistics Pte Ltd*** | | | |
| GKE (Shanghai) Metal Logistics Co., Ltd. [ii] (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. [ii] (People's Republic of China) | Provision of storage, freight forwarding, warehousing, packing, removal and delivery services | **32** | 32 |
| ***Held through Ever Flourish Development (HK) Co., Ltd*** | | | |
| Maoming City Hung Ji Construction Materials Co., Ltd [iii] (People's Republic of China) | Produces and manufactures environmental friendly lightweight brick, building materials and cement products | **–** | 40 |

i Audited by Deloitte & Touche LLP.

ii Audited by Shanghai Yinhu Certified Public Accountants.

iii Audited by Maoming City Ming Zheng Certified Public Accountants. The associate was disposed on 30 September 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 17. Investments in associates (cont'd)

Aggregate information about the Group's investment in associates that are individually material are as follows:

**Summarised balance sheet**

| | GKE Metal Logistics Pte Ltd and its subsidiaries | | Maoming City Hung Ji Construction Materials Co. Ltd | |
|---|---|---|---|---|
| | As at May 2016 | As at May 2015 | As at May 2016 | As at May 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Current assets | **6,443** | 6,696 | – | 1,182 |
| Intangible assets | **2,627** | 2,627 | – | 1,353 |
| Goodwill | **2,541** | 2,541 | – | – |
| Non-current assets | **216** | 331 | – | 4,952 |
| Total assets | **11,827** | 12,195 | – | 7,487 |
| Current liabilities | **1,553** | 118 | – | 4,171 |
| Total liabilities | **1,553** | 118 | – | 4,171 |
| Net assets excluding goodwill and intangible assets | **5,106** | 6,909 | – | 1,963 |
| Less: non-controlling interest | **(1,089)** | (1,564) | – | – |
| Adjusted net assets | **4,017** | 5,345 | – | 1,963 |
| Proportion of the Group's ownership | **49%** | 49% | – | 40% |
| Group's share of net assets | **1,968** | 2,619 | – | 785 |
| Fair value adjustment on loss of control of a subsidiary* | | | | |
| Goodwill | **–** | 2,627 | – | – |
| Intangible asset with indefinite useful life | **1,252** | 2,541 | – | – |
| Intangible asset with definite useful life | **–** | – | – | 1,353 |
| Deferred tax on undistributed earnings | **(31)** | (95) | – | – |
| Group's carrying amount of the investment in associates | **3,189** | 7,692 | – | 2,138 |

The goodwill amounting to $2,627,000 and the intangible asset with indefinite useful life amounting to $1,289,000 have been reduced by the impairment loss of $3,916,000 recognised during the year.

* GKE Metal Logistics Pte Ltd was formerly a wholly owned subsidiary of the Company. On 22 June 2012, the Company disposed 51% interest in GKE Metal Logistics Pte Ltd to LD Commodities Metals Asia Pte Ltd. Consequently, GKE Metal Logistics Pte Ltd ceased to be a subsidiary of the Company. The remaining 49% of its shareholders' interest had been classified as investment in associate and was recorded at fair value in accordance with FRS 110.

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 17. Investments in associates (cont'd)

**Summarised statement of comprehensive income**

| | GKE Metal Logistics Pte Ltd and its subsidiaries | | Maoming City Hung Ji Construction Materials Co. Ltd | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenue | **8,586** | 14,847 | **1,395** | 3,779 |
| (Loss)/profit after tax from continuing operations | **(1,123)** | 31 | **(35)** | (12) |
| Other comprehensive income | **(116)** | 421 | **69** | 406 |
| Total comprehensive income | **(1,239)** | 452 | **1,429** | 394 |

**Impairment loss recognised**

During the financial year, an impairment loss was recognised to write-down the carrying amount of investment in GKE Metal Logistics Pte Ltd and its subsidiaries after making an assessment of the expected recoverable amount during the current financial year.

The recoverable amount has been determined based on value in use calculation using cash flow projections from financial budgets approved by the management covering a five year projection. The pre-tax discount rate applied to the cash flow projection range from 9.5% to 11.5% (2015: Nil), and the forecasted long term growth rate used to extrapolate cash flow projections beyond five year period is 2% (2015: Nil). The revenue growth rates applied to the five year revenue forecast in the cash flow range from 5% to 26%.

The impairment loss of $3,916,000 (2015: Nil) has been recognised in profit or loss under the line item "Administrative expenses" in the consolidated income statement.

## 18. Investment in joint venture

The Group has 50% (2015: 50%) equity interest in a joint venture, Steadfast (HK) Co., Ltd ("Steadfast") that is held through a subsidiary, GKE Shipping Co., Ltd. This joint venture is incorporated in Hong Kong and is in the business of building and chartering of vessels. The Group jointly controls the venture with other parties under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities. The Group has 50% (2015: NIL) 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.

The new joint venture arrangement is set up to replace the initial Steadfast joint venture arrangement for tax efficiency purposes as Ocean Latitude, through its wholly-owned subsidiary in Hong Kong Special Administrative Region of the People's Republic of China will be the registered owner of the Vessel.

During the year, the Group had injected capital investment in joint venture amounting to $4,712,000 (2015: Nil).

## 18. Investment in joint venture (cont'd)

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

**Summarised balance sheet**

| | Steadfast (HK) Co., Ltd | | Ocean Latitude Limited | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash and cash equivalents | – | – | 1,551 | – |
| Trade and other receivables | – | – | 2,343 | – |
| Current assets | – | – | 3,894 | – |
| Non-current assets | – | 9,026 | 99,141 | – |
| Total assets | – | 9,026 | 103,035 | – |
| Current financial liabilities (excluding trade and other payables) | | | 7,735 | |
| Other current liabilities | – | 4 | 7,212 | – |
| Current liabilities | | | 14,947 | |
| Non-current liabilities | – | – | 69,615 | – |
| Total liabilities | – | 4 | 84,562 | – |
| Net assets | – | 9,022 | 18,473 | – |
| Proportion of the Group's ownership | 50% | 50% | 50% | – |
| Group's share of net assets | – | 4,511 | 9,237 | – |
| Carrying amount of the investment | – | 4,511 | 9,237 | – |

**Summarised statement of comprehensive income**

| | Steadfast (HK) Co., Ltd | | Ocean Latitude Limited | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue | – | – | 2,158 | – |
| Operating expenses | 2 | (1) | (1,661) | – |
| Interest expense | – | – | (922) | – |
| Profit/(loss) before tax | 2 | (1) | (425) | – |
| Income tax expense | – | – | – | – |
| Profit/(loss) after tax | 2 | (1) | (425) | – |
| Other comprehensive income | – | – | (351) | – |
| Total comprehensive income | 2 | (1) | (776) | – |

# NOTES TO
# THE FINANCIAL STATEMENTS
For the Financial Year Ended 31 May 2016

## 19. Available-for-sale investments

| | Group and Company | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| ***Quoted equity shares, at fair value*** | | |
| At 1 June | **509** | 859 |
| Fair value adjustment | **312** | (151) |
| Impairment losses | **(98)** | (199) |
| At 31 May | **723** | 509 |

During the financial year, the Group recognised impairment loss of $98,000 (2015: $199,000) 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.

## 20. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| ***Trade and other receivables (current):*** | | | | |
| Trade receivables | **7,220** | 5,388 | **–** | – |
| Amounts due from associate | | | | |
| - Trade | **257** | 254 | **–** | – |
| - Non-trade | **3** | 5 | **3** | 3 |
| Amount due from joint venture | | | | |
| - Non-trade | **2,707** | – | **–** | – |
| SGD loan to subsidiaries | **–** | – | **1,481** | 142 |
| Amounts due from subsidiaries | **–** | – | **21,920** | 8,728 |
| Staff advances | **7** | 6 | **3** | 1 |
| Refundable deposits | **979** | 348 | **–** | 21 |
| Deposits for purchase of property, plant and equipment | **55** | 4,728 | **–** | – |
| Other receivables | **891** | 1,299 | **72** | 112 |
| | **12,119** | 12,028 | **23,479** | 9,007 |
| ***Other receivables (non-current):*** | | | | |
| SGD loan to subsidiaries | **–** | – | **5,288** | 7,159 |
| Total trade and other receivables (current and non-current) | **12,119** | 12,028 | **28,767** | 16,166 |
| Add: Cash and at banks and on hand (Note 22) | **30,768** | 18,442 | **98** | 12,672 |
| Total loans and receivables | **42,887** | 30,470 | **28,865** | 28,838 |

## 20. 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 | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **$'000** | $'000 | **$'000** | $'000 |
| United States Dollar | **981** | 861 | **–** | – |

### *Related party balances and staff advances*

The trade amounts due from associate 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.

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:

(a) Unsecured 18-years term loan of $6,400,000, bears interest at 1.50% per annum over the applicable 3-month SWAP Offer Rate and repayable in June 2031. The loan shall be repaid over 216 monthly instalments and is to be settled in cash.

(b) Unsecured 5-years term loan of $2,560,000, bears interest at 1.75% per annum over the applicable 3-month SWAP Offer Rate and repayable in September 2018. The loan shall be repaid over 59 fixed monthly instalments and a final lump sum payment on the fifth year from its first drawdown. On April 2016, the loan was fully repaid by the sales proceeds from the disposal of the property at 30 Pioneer Road.

(c) Unsecured 5-years term loan of $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.

(d) Unsecured loan of $1,481,000, non-interest bearing, repayable on demand. The loan is to be settled in cash.

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

# NOTES TO
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## 20. Trade and other receivables (cont'd)

***Receivables that are past due but not impaired***

The Group has trade receivables amounting to $1,711,000 (2015: $2,916,000) 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 | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Trade receivables past due but not impaired: | | |
| Less than 30 days | **1,204** | 1,610 |
| 31 - 60 days | **293** | 950 |
| 61 - 90 days | **123** | 178 |
| More than 90 days | **91** | 178 |
| | **1,711** | 2,916 |

***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 | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Trade receivables – nominal amounts | **264** | 258 |
| Less: Allowance for impairment | **(264)** | (258) |
| | **–** | – |
| Movements in allowance account: | | |
| At 1 June | **258** | 26 |
| Allowance made (Note 8) | **11** | 237 |
| Written off | **(5)** | (5) |
| At 31 May | **264** | 258 |

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.

***Other receivables that are impaired***

At the end of the reporting period, the Company have provided an allowance of $490,000 (2015: Nil) for doubtful debts on the unsecured loan to a fellow subsidiary company with a nominal amount of $586,000 (2015: $586,000). This related party has been in financial difficulty.

## 21. Inventories

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Balance sheet | | |
| Raw material (at cost) | **227** | – |
| Finished goods (at cost or net realisable value) | **54** | – |
| | **281** | – |
| Income statement: | | |
| Inventories recognised as an expense in cost of sales | **8** | – |

## 22. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at banks and on hand | **30,768** | 18,442 | **98** | 12,672 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| United States Dollar | **5,154** | 1,339 | **–** | – |

## 23. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | No. of shares | | No. of shares | |
| | '000 | $'000 | '000 | $'000 |
| Issued and fully paid ordinary shares: | | | | |
| At beginning of financial year | **646,542** | **74,831** | 463,364 | 62,215 |
| Add: Issue of new shares | **–** | **–** | 183,178 | 12,675 |
| Less: Share issuance expense | **–** | **–** | – | (59) |
| At end of financial year | **646,542** | **74,831** | 646,542 | 74,831 |

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 23. Share capital (cont'd)

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.

On 27 February 2015, the Company proposed to undertake a renounceable non-underwritten rights issue of up to 183,178,654 new ordinary shares at an issue price of S$0.07 for each rights share, on the basis of two right shares for every five existing ordinary shares. The rights issue was completed on 21 April 2015 and had raised $12.6 million after offsetting related expenses.

## 24. Treasury shares

| | Group and Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | No. of shares | | No. of shares | |
| | '000 | $'000 | '000 | $'000 |
| At 1 June | **(5,417)** | **(848)** | (5,417) | (848) |
| Acquired during the financial year | **(8,383)** | **(689)** | – | – |
| At 31 May | **(13,800)** | **(1,537)** | (5,417) | (848) |

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

The Company acquired 8,383,000 (2015: Nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $689,000 (2015: Nil) and this was presented as a component within shareholders' equity.

## 25. Other reserves

Other reserves comprise the following:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2016 | 2015 | 2016 | 2015 |
| | | $'000 | $'000 | $'000 | $'000 |
| Foreign currency translation reserve | (i) | **1,453** | 1,886 | **–** | – |
| Revaluation reserve | (ii) | **4,524** | 15,923 | **–** | – |
| Fair value reserve | (iii) | **312** | – | **312** | – |
| Other reserves | (iv) | **–** | 42 | **–** | – |
| | | **6,289** | 17,851 | **312** | – |

## 25. Other reserves (cont'd)

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) *Revaluation reserve*

The revaluation reserve represents increases in the fair value of leasehold land, buildings and improvements, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

(iii) *Fair value reserve*

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(iv) *Other reserves*

Other reserves represent the gain on acquisition of non-controlling interests of GKE & Moh Seng Pte Ltd ("GKEMS") without a change in control. It has been transferred to retained earnings upon the striking off of GKEMS.

## 26. Other liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Current | | | | |
| Accrued operating expenses | **3,456** | 2,587 | **2,163** | 761 |
| Deposits received | **246** | 362 | **–** | 2 |
| | **3,702** | 2,949 | **2,163** | 763 |
| Non-current | | | | |
| Contingent consideration for business combination (Note 16) | **385** | – | **385** | – |
| Rental Amortisation | **23** | – | **–** | – |
| | **408** | – | **385** | – |
| | **4,110** | 2,949 | **2,548** | 763 |

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 26. Other liabilities (cont'd)

Contingent consideration for business combination

As part of the purchase agreement with the previous owner of Marquis, a contingent consideration has been agreed. This consideration is dependent on the net profit before tax of Marquis for the period from 1 December 2015 to 30 November 2017. The fair value of the contingent consideration at the acquisition date was estimated to be $385,000. It was estimated that all 5,000,000 ordinary shares shall be issued to the previous owner of Marquis as the management believes Marquis will be able to generate a net profit before tax of $2,800,000 or greater for the period from 1 December 2015 to 30 November 2017. The contingent consideration was calculated using the published price of the shares at the acquisition date, which was valued at $0.077 each.

Management considered the net profit of Marquis for the year ended 31 May 2016 and assessed that Marquis is likely to achieve the target net profit before tax of $2,800,000 before 30 November 2017. Accordingly, no adjustment was made to the fair value of the contingent consideration at 31 May 2016.

The consideration is due for final measurement and payment to the former shareholder on 14 days after 30 November 2017. No further significant change to the consideration is expected.

## 27. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Current: | | | | |
| Bank loan (secured) | **4,302** | 8,219 | – | 4,576 |
| | **4,302** | 8,219 | – | 4,576 |
| Non-current: | | | | |
| Bank loan (secured) | **43,516** | 61,155 | – | 17,595 |
| Total borrowings | **47,818** | 69,374 | – | 22,171 |

The Group's and Company's bank borrowings comprise the following:

(i) Money Market Loan

The Money Market Loan ("MML") of $3,500,000 as at 31 May 2015 bore interest at 3.0% per annum and repaid on 3 June 2015. The MML was secured by legal mortgage of the leasehold land, buildings and improvements of the subsidiary, corporate guarantee from a subsidiary and corporate guarantee from the Company.

(ii) 5-year RMB bank term loan

The 5-year term loan of RMB 5,067,000 ($1,063,000) bore interest at 120% of the People's Republic of China's central bank lending rate per annum. The term loan is secured by legal mortgage of the land use rights of the subsidiary and corporate guarantee from the Company. The first principal instalment will be repayable on the 21st month from first drawdown date.

## 27. Borrowings (cont'd)

(iii) 18-year SGD term loan

The Company's 18-year SGD term loan of $12,500,000 bore interest at 1.50% per annum over the prevailing 3-month Cost of Funds or 1.50% per annum over the applicable 3-month SWAP Offer Rate, whichever is higher. The loan shall be repaid over 216 monthly instalments after its first drawdown. The term loan was secured by second legal mortgage of the leasehold land, buildings and improvements of the subsidiary and corporate guarantee from a subsidiary. The loan was fully repaid on April 2016.

(iv) 5-year SGD term loan

The Company's 5-year SGD term loan of $8,000,000 bore interest at 1.75% per annum over the applicable 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. The term loan was secured by second legal mortgage of the leasehold land, buildings and improvements of a subsidiary and corporate guarantee from a subsidiary. The loan was fully repaid on April 2016.

(v) 18-year SGD commercial property loan

The 18-year SGD commercial property loan of $25,600,000 bore interest at 1.50% per annum over the prevailing 3-month Cost of Funds. 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.

(vi) 5-year SGD commercial property loan

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. 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.

(vii) 5-year USD term loan

The 5-year USD term loan of US$4,000,000 ($5,018,000) 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. 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 corporate guarantee from a subsidiary.

(viii) 8-year SGD commercial property loan

The 8-year SGD commercial property loan of $4,320,000 bore fixed interest at 2.98% per annum for the 1st and 2nd year and 3.00% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate for the subsequent years. The loan shall be repaid over 95 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 proportionate corporate guarantee from the Company.

As at 31 May 2016, all the financial covenants on the above bank borrowings have been fully complied.

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

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For the Financial Year Ended 31 May 2016

## 28. Deferred tax

Deferred tax as at 31 May relates to the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| ***Deferred tax liabilities:*** | | | | |
| Tax effect of temporary differences in excess of capital allowances | **820** | 1,308 | **–** | 10 |
| Revaluation gain on property, plant and equipment | **1,096** | 3,424 | **–** | – |
| Others | **(6)** | 16 | **–** | – |
| | **1,910** | 4,748 | **–** | 10 |
| At 1 June | **4,748** | 4,764 | **10** | 36 |
| Tax (credited)/charged to profit or loss | | | | |
| - Current year (Note 9(a)) | **(325)** | (20) | **(10)** | – |
| - Prior years (Note 9(a)) | **(554)** | 4 | **–** | – |
| Tax charged to equity | | | | |
| - Fair value reserve | **–** | (26) | **–** | (26) |
| Disposal of property plant and equipment | **(2,328)** | – | **–** | – |
| Fair value adjustments on acquisition of subsidiary | **386** | – | **–** | – |
| - Others | **(17)** | 26 | **–** | – |
| At 31 May | **1,910** | 4,748 | **–** | 10 |

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $1,735,000 (2015: $1,735,000) 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.

Tax consequences of proposed dividends

There are no income tax consequences (2015: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 31).

## 29. 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 | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Minimum lease payments | Present value of payments | Minimum lease payments | Present value of payments |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | **1,321** | **1,178** | 829 | 741 |
| Later than one year but not later than five years | **1,909** | **1,804** | 1,027 | 951 |
| Total minimum lease payments | **3,230** | **2,982** | 1,856 | 1,692 |
| Less: Amounts representing finance charges | **(248)** | **–** | (164) | – |
| Present value of minimum lease payments | **2,982** | **2,982** | 1,692 | 1,692 |

| | Company | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| | Minimum lease payments | Present value of payments | Minimum lease payments | Present value of payments |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | **22** | **19** | – | – |
| Later than one year but not later than five years | **69** | **64** | – | – |
| Total minimum lease payments | **91** | **83** | – | – |
| Less: Amounts representing finance charges | **(8)** | **–** | – | – |
| Present value of minimum lease payments | **83** | **83** | – | – |

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# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 29. Finance lease liabilities (cont'd)

***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. The interest rates for finance leases range from 1.4% to 4.8% (2015: 1.68% to 2.2%) 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 guarantee provided by the Company.

Finance lease liabilities that contain callable clauses are presented as current liabilities. The amount of finance lease liabilities presented as current liabilities and non-current liabilities are as follows:

| ***Finance lease*** | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Current liabilities | **2,072** | 1,097 | **83** | – |
| Non-current liabilities | **910** | 595 | **–** | – |
| | **2,982** | 1,692 | **83** | – |

## 30. Trade and other payables

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| ***Trade and other payables (current):*** | | | | |
| Trade payables | **1,571** | 1,278 | **–** | – |
| Other payables | **2,866** | 2,065 | **118** | 202 |
| Amounts due to subsidiaries | **–** | – | **30** | 201 |
| Amount due to associate | **5** | 3 | **–** | – |
| Loan from subsidiary | **–** | – | **21,147** | – |
| Loan from non-controlling interests | **635** | 650 | **–** | – |
| | **5,077** | 3,996 | **21,295** | 403 |

## 30. Trade and other payables (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| ***Other payables (non-current):*** | | | | |
| Loan from non-controlling interests | **348** | 365 | **–** | – |
| Total trade and other payables | **5,425** | 4,361 | **21,295** | 403 |
| Add: Borrowings (Note 27) | **47,818** | 69,374 | **–** | 22,171 |
| Finance lease liabilities (Note 29) | **2,982** | 1,692 | **83** | – |
| Other liabilities (Note 26) | **4,110** | 2,949 | **2,548** | 763 |
| Less: Accrual for unutilised leave | **(137)** | (92) | **(30)** | (26) |
| Total financial liabilities carried at amortised cost | **60,198** | 78,284 | **23,896** | 23,311 |

***Trade payables/other payables***

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 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| United States Dollars | **1,708** | 120 | **–** | – |

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free, 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 1.75% per annum over the prevailing 3-month SWAP Offer Rate or 1.75% per annum over the prevailing 3-month Cost of Funds (2015: Nil). The loan is repayable on demand.

The current loan from non-controlling interests is unsecured, non-interest bearing and repayment on demand. The loan is denominated in SGD.

The non-current loan from non-controlling interests is unsecured and interest bearing at 6% (2015: 6%) per annum. The loan will be fully repaid by July 2017. The loan is denominated in Renminbi.

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## 31. Dividend

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| **Declared and paid during the financial year** | | |
| *Dividends on ordinary shares:* | | |
| Final exempt (one-tier) dividend for 2015: NIL (2014: Nil cent) per ordinary share | **–** | – |
| **Proposed but not recognised as a liability as at 31 May:** | | |
| *Dividends on ordinary shares, subject to shareholders' approval at the AGM:* | | |
| Final exempt (one-tier) dividend for 2016: 0.6 cents (2015: Nil cent) per ordinary share | **3,796** | – |

## 32. 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 | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Capital commitments in respect of leasehold properties | **3,379** | – |
| Capital commitments in respect of construction of a ready-mix plant | **1,995** | 2,240 |
| Capital commitments in respect of property, plant and equipment | **59** | 2,673 |
| Share of joint venture's capital commitments in relation to property, plant and equipment | **–** | 40,615 |

(b) ***Operating lease commitments - as lessee***

In addition to the land use rights disclosed in Note 12, 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. 1 Jalan Besut, No. 6 Pioneer Walk, No. 39 Benoi Road, No. 30 Pioneer Road and 7 Kwong Min Road. The properties located at No. 1 Jalan Besut, No. 6 Pioneer Walk, No. 39 Benoi Road and 7 Kwong Min Road are leased from Jurong Town Corporation for a period 25, 22, 17 and 12 years respectively, while the property located at 30 Pioneer Road is leased from Viva Industrial Real Estate Investment Trust for a period 5 years.

Rentals 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.

## 32. Commitments (cont'd)

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

Minimum lease payments, including amortisation of land use rights recognised as an expense in profit or loss for the financial year ended 31 May 2016 amounted to $4,193,000 (2015: $3,013,000).

Future minimum rental payable under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Not later than one year | **7,881** | 2,902 |
| Later than one year but not later than five years | **25,905** | 9,303 |
| Later than five years | **29,401** | 45,426 |
| | **63,187** | 57,631 |

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

Operating lease income mainly represents rental receivables by the Group from the provision of warehousing at No. 1 Jalan Besut, No. 6 Pioneer Walk and No. 39 Benoi Road in Singapore, and No. 338 Yesheng Road in Shanghai, People's Republic of China, and 7 Kwong Min Road. These non-cancellable leases have remaining lease terms of between 1 month and 9 years.

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

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Not later than one year | **2,740** | 3,014 |
| Later than one year but not later than five years | **7,656** | 9,204 |
| Later than five years | **3,605** | 4,622 |
| | **14,001** | 16,840 |

## 33. Fair value of assets and liabilities

(a) ***Fair value hierarchy***

The Group categories 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;

# NOTES TO
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## 33. Fair value of assets and liabilities (cont'd)

(a) ***Fair value hierarchy (cont'd)***

(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 2016 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 | **723** | **–** | **–** | **723** |
| ***Non-financial assets*** | | | | |
| Property, plant and equipment | | | | |
| - Leasehold land, buildings and improvements | **–** | **–** | **5,400**[(1)] | **5,400** |
| **Liabilities** | | | | |
| ***Financial liabilities*** | | | | |
| Contingent consideration for business combination | **–** | **–** | **385** | **385** |

(1) Pertains to leasehold building located at 7 Kwong Min Road. The Group has engaged Knight Frank Pte Ltd to determine the fair value of the property for the purpose of acquiring the property. The date of the valuation was 13 April 2016.

The Group had not performed any further revaluation for the leasehold land and building located at No. 1 Jalan Besut, 6 Pioneer Walk, No. 39 Benoi Road and No. 338 Yesheng Road, Yangshan Free Trade Port Area, Pudong District, Shanghai, in the current financial year because the market values and carrying values do not differ significantly. The last external valuation was performed as at 31 May 2015.

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

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

| | Group | | | |
|---|---|---|---|---|
| | 2015 | | | |
| | Fair value measurements at the end of the reporting period using | | | |
| | Quoted prices in active markets for identical instruments (Level 1) | Significant observable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | $'000 | $'000 | $'000 | $'000 |
| **Recurring fair value measurements** | | | | |
| **Assets** | | | | |
| ***Financial assets*** | | | | |
| Available-for-sale investments | | | | |
| - Quoted equity shares | 509 | – | – | 509 |
| ***Non-financial assets*** | | | | |
| Property, plant and equipment | | | | |
| - Leasehold land, buildings and improvements | – | – | 109,739[1] | 109,739[1] |

[1] The Group engaged an independent external valuer to determine the fair value of the leasehold land, buildings and improvements located at No. 30 Pioneer Road, No. 1 Jalan Besut, 6 Pioneer Walk, No. 39 Benoi Road and No. 338 Yesheng Road, Yangshan Free Trade Port Area, Pudong District, Shanghai. Fair value is determined by reference to market based evidence. Based on the external valuation performed as at 31 May 2015, the carrying amount of the leasehold buildings and improvements approximates the fair value.

## 33. 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 2016 $'000 | Fair Value at 31 May 2015 $'000 | Valuation Techniques | Key unobservable Inputs | Range |
|---|---|---|---|---|---|
| **Recurring fair value measurements** | | | | | |
| *Leasehold land, buildings and improvements* | – [1] | 109,739 | Capitalisation approach | Market rent per square metre per day | RMB 1.20 |
| | | | Comparative method | Adjusted gross floor area price per square feet[2] | $54 - $207 |
| | **5,400** [3] | – | Comparative method | Adjusted gross floor area price per square feet[2] | $113 - $199 |
| *Contingent consideration for business combination* | **385** | – | Discounted cash flow | Probability of meeting contractual earnings target | 95% - 100% |

(1) The Group had not performed any further revaluation for the leasehold building in the current financial year because the market values and carrying values do not differ significantly.

(2) Adjustments are made for any difference in the location, gross floor area, land area, remaining lease period and condition of the specific property.

(3) Pertains to leasehold building located at 7 Kwong Min Road. During the year, the Group has engaged Knight Frank Pte Ltd to determine the fair value of the property for the purpose of acquiring the property.

For leasehold land, buildings and improvements, a significant increase/(decrease) in market rents, remaining lease period and land area would result in significantly higher/(lower) fair value measurement.

For contingent consideration, a significant increase/(decrease) in the probability of meeting the contractual earnings target would not result in a significant change in the fair value measurement.

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

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

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

| | Group 2016 $'000 Fair value measurements using significant unobservable inputs (Level 3) | |
|---|---|---|
| | **Leasehold land, buildings and improvements** | **Contingent consideration** |
| Opening balance | **107,209** | **–** |
| Additions | **5,573** | **385** |
| Disposal | **(30,847)** | **–** |
| Write off | **(47)** | **–** |
| Depreciation | **(5,205)** | **–** |
| Depreciation capitalised | **(634)** | **–** |
| Exchange differences | **(713)** | **–** |
| Closing balance | **75,336** | **385** |

The write off and depreciation of $47,000 and $5,205,000 have been recognised and included in "Administrative expenses" and "Cost of sales" line item in the Group's profit or loss respectively.

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

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

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

| | **Group 2015 \$'000 Fair value measurements using significant unobservable inputs (Level 3) Leasehold land, buildings and improvements** |
|---|---|
| Opening balance | 111,905 |
| Additions | 133 |
| Disposal | – |
| Write off | – |
| Depreciation | (6,037) |
| Exchange differences | 1,208 |
| Closing balance | 107,209 |

The depreciation of \$6,037,000 has been recognised and included in "Cost of sales" line item in the Group's profit or loss.

(iii) Valuation policies and procedures

The Group's Chief Financial Officer (CFO) oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. 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 FRS 113 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.

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For the Financial Year Ended 31 May 2016

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

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

(iii) Valuation policies and procedures (cont'd)

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.

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

(d) ***Assets and liabilities not carried at fair value but for which fair value is disclosed***

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 May 2016 but for which fair value is disclosed:

| | Group $'000 Fair value measurements at the end of the reporting period using | | | | |
|---|---|---|---|---|---|
| | **Quoted prices in active markets for identical assets (Level 1)** | **Significant observable inputs other than quoted prices (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** | **Carrying amount** |
| **2016** | | | | | |
| **Liabilities** | | | | | |
| Loan from non-controlling interests (Note 30) | **–** | **355** | **–** | **355** | **348** |
| **2015** | | | | | |
| **Liabilities** | | | | | |
| Loan from non-controlling interests (Note 30) | – | 368 | – | 368 | 365 |

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For the Financial Year Ended 31 May 2016

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

(d) ***Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)***

| | Company $'000 Fair value measurements at the end of the reporting period using | | | | |
|---|---|---|---|---|---|
| | Quoted prices in active markets for identical assets (Level 1) | Significant observable inputs other than quoted prices (Level 2) | Significant unobser-vable inputs (Level 3) | Total | Carrying amount |
| **2016** | | | | | |
| **Assets** | | | | | |
| Fixed rate loan to subsidiary (Note 20c) | **–** | **600** | **–** | **600** | **586** |
| **2015** | | | | | |
| **Assets** | | | | | |
| Fixed rate loan to subsidiary (Note 20c) | – | 591 | – | 591 | 586 |

<u>Determination of fair value</u>

*Loan from non-controlling interests, Fixed rate loan to subsidiary*

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

(e) ***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 cash equivalents, 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.

## 34. 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.

*Excessive risk concentration*

There is no concentration of risk because the Group has a diversified portfolio of customers. Information about major customers is disclosed in Note 36.

*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 $53,886,000 (2015: $57,019,000) 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 20 (Trade and other receivables).

# NOTES TO
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For the Financial Year Ended 31 May 2016

## 34. 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<br>$'000 | One to five years<br>$'000 | Total<br>$'000 |
|---|---|---|---|
| **Group** | | | |
| **2016** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables | **12,119** | **–** | **12,119** |
| Cash and cash equivalents | **30,768** | **–** | **30,768** |
| Total undiscounted financial assets | **42,887** | **–** | **42,887** |
| ***Financial liabilities:*** | | | |
| Borrowings | **5,396** | **47,260** | **52,656** |
| Loan from non-controlling interests | **–** | **373** | **373** |
| Trade and other payables | **5,077** | **–** | **5,077** |
| Other liabilities | **3,565** | **385** | **3,950** |
| Finance lease liabilities | **1,321** | **1,909** | **3,230** |
| Total undiscounted financial liabilities | **15,359** | **49,927** | **65,286** |
| Total net undiscounted financial assets/(liabilities) | **27,528** | **(49,927)** | **(22,399)** |
| **2015** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables | 12,028 | – | 12,028 |
| Cash and cash equivalents | 18,442 | – | 18,442 |
| Total undiscounted financial assets | 30,470 | – | 30,470 |
| ***Financial liabilities:*** | | | |
| Borrowings | 9,775 | 68,453 | 78,228 |
| Loan from non-controlling interests | – | 386 | 386 |
| Trade and other payables | 3,996 | – | 3,996 |
| Other liabilities | 2,857 | – | 2,857 |
| Finance lease liabilities | 829 | 1,027 | 1,856 |
| Total undiscounted financial liabilities | 17,457 | 69,866 | 87,323 |
| Total net undiscounted financial assets/(liabilities) | 13,013 | (69,866) | (56,853) |

## 34. 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** | | | |
| **2016** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables | **23,479** | **5,288** | **28,767** |
| Cash and cash equivalents | **98** | **–** | **98** |
| Total undiscounted financial assets | **23,577** | **5,288** | **28,865** |
| ***Financial liabilities:*** | | | |
| Trade and other payables | **21,295** | **–** | **21,295** |
| Other liabilities | **2,133** | **385** | **2,518** |
| Finance lease liabilities | **22** | **69** | **91** |
| Total undiscounted financial liabilities | **23,450** | **454** | **23,904** |
| Total net undiscounted financial assets | **127** | **4,834** | **4,961** |
| **2015** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables | 9,007 | 7,159 | 16,166 |
| Cash and cash equivalents | 12,672 | – | 12,672 |
| Total undiscounted financial assets | 21,679 | 7,159 | 28,838 |
| ***Financial liabilities:*** | | | |
| Borrowings | 4,951 | 20,649 | 25,600 |
| Trade and other payables | 403 | – | 403 |
| Other liabilities | 737 | – | 737 |
| Total undiscounted financial liabilities | 6,091 | 20,649 | 26,740 |
| Total net undiscounted financial assets/ (liabilities) | 15,588 | (13,490) | 2,098 |

# NOTES TO
# THE FINANCIAL STATEMENTS

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## 34. 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.

| | 2016 $'000 | | | | 2015 $'000 | | | |
|---|---|---|---|---|---|---|---|---|
| | **One year or less** | **One to five years** | **Over five years** | **Total** | **One year or less** | **One to five years** | **Over five years** | **Total** |
| **Company** | | | | | | | | |
| Financial guarantees | **6,434** | **27,654** | **16,993** | **51,081** | 4,924 | 27,823 | 16,322 | 49,069 |

(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 IDR are considered to be long-term in nature.

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 exchange rates against the functional currency of the Group entities, with all other variables held constant.

| | Group Profit/(loss) before tax | |
|---|---|---|
| | **2016 $'000** | **2015 $'000** |
| Against SGD | | |
| USD - Strengthened 3% (2015: 3%) | **73** | 54 |
| Weakened 3% (2015: 3%) | **(73)** | (54) |

## 34. Financial risk management objectives and policies (cont'd)

### (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 loan 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 (2015: 75) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $526,000 (2015: $430,000) higher/lower, 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.

### (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 available-for-sale investments. The Group does not have exposure to commodity price risk.

*Sensitivity analysis for market price risk*

At the end of the reporting period, if the share prices of the quoted shares on the SGX and ASX had been 5% (2015: 5%) higher or lower with all other variables held constant, the Group fair value adjustments reserve in equity/other comprehensive income would have been $30,000 (2015: $21,000) higher or lower, arising as a result of an increase or decrease in the fair value of equity instruments classified as available-for-sale.

## 35. 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 2016 and 31 May 2015.

## 35. Capital management (cont'd)

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 at least a free float of at least 10% of the shares. Management receives a report from the registrars 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 27. These externally imposed capital requirements have been complied with by the Company and the subsidiaries for the financial years ended 31 May 2016 and 31 May 2015.

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 loan from non-controlling interests.

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Debt | **51,148** | 71,431 | **83** | 22,171 |
| Total equity | **89,936** | 82,139 | **62,250** | 58,652 |
| Total equity and debt | **141,084** | 153,570 | **62,333** | 80,823 |
| Gearing ratio | **36.3%** | 46.5% | **0.13%** | 27.4% |

## 36. 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:

(a) The investment holding segment is involved in Group-level corporate services and investment activities.

(b) 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.

(c) The shipping logistics segment is involved in the business of building and chartering of vessels.

(d) 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.

## 36. Segment information (cont'd)

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

| | Investment holding $'000 | Third party logistics $'000 | Shipping logistics $'000 | Infrastructural logistics $'000 | Eliminations $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **31 May 2016** | | | | | | |
| Revenue | | | | | | |
| - External customers | – | 36,865 | – | 8 | – | 36,873 |
| - Inter-segment (1) | – | 302 | – | – | (302) | – |
| Total revenue | – | 37,167 | – | 8 | (302) | 36,873 |
| **Results:** | (2,883) | 9,648 | 21 | (369) | (333) | 6,084 |
| Depreciation and amortisation | (115) | (6,726) | – | (181) | – | (7,022) |
| Allowance for doubtful trade receivables | – | (11) | – | – | – | (11) |
| Bad debts written off | – | (410) | – | – | 384 | (26) |
| Property, plant and equipment written off | – | (76) | – | – | – | (76) |
| Impairment of investments in subsidiaries | (914) | – | – | – | 914 | – |
| Impairment of investments in associates | (3,916) | – | – | – | – | (3,916) |
| Impairment of available-for-sale investments | (98) | – | – | – | – | (98) |
| Gain on disposal of property, plant and equipment | 72 | 13,845 | – | – | – | 13,917 |
| Gain on disposal of associates | – | – | – | 1,168 | – | 1,168 |
| Loss on disposal of subsidiary | (44) | – | – | – | 44 | – |
| Share of results of associates | – | (529) | – | (14) | – | (543) |
| Share of results of joint venture | – | – | (211) | – | – | (211) |
| Dividend income | 12,500 | – | – | – | (12,500) | – |
| Interest income | 29 | 79 | – | 5 | (72) | 41 |
| Finance costs | (647) | (1,538) | – | (109) | 228 | (2,066) |
| **Segment profit/(loss)** | 3,984 | 14,282 | (190) | 500 | (11,335) | 7,241 |
| Tax expense | | | | | | (1,367) |
| **Profit for the year** | | | | | | 5,874 |
| Assets: | | | | | | |
| Investments in joint venture | – | – | 9,237 | – | – | 9,237 |
| Investments in associates | 3,189 | – | – | – | – | 3,189 |
| Additions to non-current assets (2) | 211 | 8,958 | – | 4,824 | – | 13,993 |
| **Segment assets (3)** | 86,189 | 145,819 | 11,961 | 11,512 | (99,816) | 155,665 |
| **Segment liabilities (3)** | 2,778 | 82,561 | 1,912 | 4,163 | (31,079) | 60,335 |
| Unallocated liabilities: | | | | | | |
| Tax payable | | | | | | 3,484 |
| Deferred tax liabilities | | | | | | 1,910 |
| **Total liabilities** | | | | | | 65,729 |

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 36. Segment information (cont'd)

| | Investment holding $'000 | Third party logistics $'000 | Shipping logistics $'000 | Infrastructural logistics $'000 | Eliminations $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **31 May 2015** | | | | | | |
| Revenue | | | | | | |
| - External customers | – | 36,200 | – | – | – | 36,200 |
| - Inter-segment [1] | – | 329 | – | – | (329) | – |
| Total revenue | – | 36,529 | – | – | (329) | 36,200 |
| Results: | (1,381) | 8,588 | 1 | (173) | 548 | 7,583 |
| Depreciation and amortisation | (87) | (7,888) | – | (31) | – | (8,006) |
| Legal fees and tribunal fees net of liquidated damages receivable | – | (1,100) | – | – | – | (1,100) |
| Allowance for doubtful trade receivables | – | (237) | – | – | – | (237) |
| Bad debts written off | – | (23) | – | – | – | (23) |
| Property, plant and equipment written off | (2) | – | – | – | – | (2) |
| Impairment of investments in subsidiaries | (1,424) | – | – | – | 1,424 | – |
| Impairment of available-for-sale investments | 199 | – | – | – | – | 199 |
| (Loss)/gain on disposal of property, plant and equipment | 75 | (863) | – | – | – | (788) |
| Share of results of associates | – | 11 | – | (4) | – | 7 |
| Share of results of joint venture | – | – | (1) | – | – | (1) |
| Dividend income | 5 | – | – | – | – | 5 |
| Interest income | – | 29 | – | 9 | – | 38 |
| Finance costs | (471) | (1,509) | – | – | 200 | (1,780) |
| **Segment loss** | (3,086) | (2,992) | – | (199) | 2,172 | (4,105) |
| Tax expense | | | | | | (578) |
| **Loss for the year** | | | | | | (4,683) |
| Assets: | | | | | | |
| Investment in joint venture | – | – | 4,511 | – | – | 4,511 |
| Investments in associates | 6,616 | 1,075 | – | 2,139 | – | 9,830 |
| Additions to non-current assets [2] | 7 | 1,027 | – | 4,984 | – | 6,018 |
| **Segment assets [3]** | 84,840 | 130,575 | 4,527 | 10,249 | (63,711) | 166,480 |
| **Segment liabilities [3]** | 23,337 | 68,892 | 27 | 3,080 | (16,960) | 78,376 |
| Unallocated liabilities: | | | | | | |
| Tax payable | | | | | | 1,217 |
| Deferred tax liabilities | | | | | | 4,748 |
| **Total liabilities** | | | | | | 84,341 |

(1) Inter-segment revenues are eliminated on consolidation.

(2) Consist of additions to property, plant and equipment and prepayments relating to acquisition of land use rights.

(3) Inter-segment assets and liabilities are eliminated to arrive at the total assets and liabilities reported in the consolidated balance sheet.

## 36. 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[4] | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Singapore | **35,825** | 34,864 | **68,018** | 96,242 |
| People's Republic of China | **1,048** | 1,336 | **27,487** | 24,569 |
| | **36,873** | 36,200 | **95,505** | 120,811 |

[4] Non-current assets information presented above consist of property, plant and equipment, land use rights and prepayments relating to acquisition of property, plant and equipment and land use rights as presented in the consolidated balance sheet.

***Information about major customer***

The Group did not have any single customer contributing 10% or more of its revenue for the financial years ended 2016 and 2015.

## 37. 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 | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Lease of warehouse space to an associate | **1,166** | 1,336 |

# NOTES TO
# THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 May 2016

## 37. Related party transactions (cont'd)

(b) ***Key management compensation***

| | Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$'000** | **$'000** |
| Directors of the Company | | |
| - Salaries, fees and benefits-in-kind | **2,180** | 1,412 |
| - Contribution to defined contribution plans | **53** | 46 |
| Directors of subsidiaries | | |
| - Salaries, fees and benefits-in-kind | **884** | 663 |
| - Contribution to defined contribution plans | **58** | 35 |
| Other key management personnel | | |
| - Salaries, fees and benefits-in-kind | **523** | 276 |
| - Contribution to defined contribution plans | **48** | 16 |

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.

## 38. Events occurring after the reporting period

On 28 July 2016, the Group entered into a legally binding memorandum of understanding with the shareholders of TNS Ocean Lines (S) Pte. Ltd ("TNS") for the proposed acquisition of 2,416,000 ordinary shares in the capital of TNS.

The aggregate purchase consideration for the Sale Shares is S$9 million, to be partly satisfied in cash and partly by 52,500,000 ordinary shares in the capital of the Company. Upon the completion of the proposed acquisition, the Group will hold 100% of the total issued and paid-up capital of TNS.

## 39. Authorisation of financial statements for issue

The financial statements for the year ended 31 May 2016 were authorised for issue in accordance with a resolution of the Directors on 26 August 2016.

# STATISTICS OF **SHAREHOLDINGS**

As at 18 August 2016

**Class of shares : Ordinary shares**
**No. of shares (excluding treasury shares) : 632,741,890**
**Voting rights : One vote per share**

As at 18 August 2016, the total number of treasury shares held is 13,800,400 (2.18%).

## DISTRIBUTION OF SHAREHOLDINGS

| Range of Shareholdings | Number of Shareholders | Percentage (%) | Number of Shares | Percentage (%) |
|---|---|---|---|---|
| 1 - 99 | 5 | 0.29 | 82 | 0.00 |
| 100 - 1,000 | 31 | 1.77 | 23,890 | 0.00 |
| 1,001 - 10,000 | 411 | 23.53 | 3,154,915 | 0.50 |
| 10,001 - 1,000,000 | 1,253 | 71.72 | 121,204,500 | 19.16 |
| 1,000,001 and above | 47 | 2.69 | 508,358,503 | 80.34 |
| TOTAL | 1,747 | 100.00 | 632,741,890 | 100.00 |

## TWENTY LARGEST SHAREHOLDERS

| No | Name of Shareholder | Shares Held | Percentage (%)* |
|---|---|---|---|
| 1 | Chen Yong Hua | 67,200,000 | 10.62 |
| 2 | UOB Kay Hian Pte Ltd | 62,123,914 | 9.82 |
| 3 | Qian Wen Hua | 56,760,000 | 8.97 |
| 4 | Citibank Nominees Singapore Pte Ltd | 41,519,600 | 6.56 |
| 5 | Maybank Nominees (S) Pte Ltd | 28,460,000 | 4.50 |
| 6 | Neo Cheow Hui | 27,445,300 | 4.34 |
| 7 | OCBC Securities Private Limited | 23,226,600 | 3.67 |
| 8 | Maybank Kim Eng Securities Pte Ltd | 19,020,600 | 3.00 |
| 9 | Wang Jian Ping | 18,897,200 | 2.99 |
| 10 | Ang Hock Chwei | 16,082,700 | 2.54 |
| 11 | Ju Kai Meng | 14,286,000 | 2.26 |
| 12 | Tan Geok Choo | 11,440,600 | 1.81 |
| 13 | Hong Leong Finance Nominees Private Limited | 11,109,000 | 1.76 |
| 14 | Mo Kaiyuan | 10,615,400 | 1.68 |
| 15 | Phillip Securities Pte Ltd | 7,690,500 | 1.21 |
| 16 | Chai Hwee Hoon Doreen | 7,000,000 | 1.10 |
| 17 | Chua Eng Hong | 6,814,100 | 1.08 |
| 18 | Tan Ai Meng | 6,784,800 | 1.07 |
| 19 | DBS Nominees Pte Ltd | 6,059,800 | 0.96 |
| 20 | Lim Hong Ann | 5,592,000 | 0.88 |
| | | 448,128,114 | 70.82 |

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares excluding the treasury shares

# STATISTICS OF **SHAREHOLDINGS**

As at 18 August 2016

## SUBSTANTIAL SHAREHOLDERS AS AT 18 AUGUST 2016

(As recorded in the Register of Substantial Shareholders)

| | Number of Shares | | | |
|---|---|---|---|---|
| | **Direct Interest** | **%** | **Deemed Interest** | **%** |
| Chen Yong Hua | 67,200,000 | 10.62 | – | – |
| Neo Kok Ching(1) | 2,600,000 | 0.41 | 31,766,660 | 5.02 |
| Qian Wen Hua | 56,760,000 | 8.97 | – | – |
| Wideshine Maritime Limited(2) | – | – | 33,997,600 | 5.37 |
| Liu Ji Chun(2)(3) | – | – | 33,997,600 | 5.37 |
| Liu Ya Ping(2)(3) | – | – | 33,997,600 | 5.37 |

**Notes:**

1. Mr. Neo Kok Ching is deemed to be interested in 3,306,660 shares held by his spouse, Mdm. Teng Beng Hua and 28,460,000 shares registered in the names of Maybank Nominees (S) Pte Ltd.

2. The shares are registered in the name of Citibank Nominees Singapore Pte Ltd, where Wideshine Maritime Limited has beneficial interest.

3. Mr. Liu Ji Chun and Ms. Liu Ya Ping are deemed to be interested in 33,997,600 shares held by Wideshine Maritime Limited through Citibank Nominees Singapore Pte Ltd, which is jointly owned by Mr. Liu Ji Chun and his spouse, Ms. Liu Ya Ping.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 18 August 2016, 65.19% 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 (the "**Company**") will be held at 30 Pioneer Road, Singapore 628502 on Wednesday, 28 September 2016 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 May 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend (tax exempt one-tier) of S$0.006 per ordinary shares in respect of the financial year ended 31 May 2016. (2015: Nil) **(Resolution 2)**

3. To approve the payment of Directors' fees of S$176,000 for the financial year ended 31 May 2016. (2015: S$167,000) **(Resolution 3)**

4. To re-elect the following Directors of the Company retiring pursuant to Regulation 107 and 117 of the Constitution of the Company:

| | | |
|---|---|---|
| Mr. Neo Cheow Hui | (Retiring under Regulation 107) | **(Resolution 4)** |
| Mr. Er Kwong Wah | (Retiring under Regulation 107) | **(Resolution 5)** |
| Mr. Andrew Chua Thiam Chwee | (Retiring under Regulation 117) | **(Resolution 6)** |
| Mr. Ho Ying Ming | (Retiring under Regulation 117) | **(Resolution 7)** |

[See Explanatory Note (i)]

5. To re-appoint Messrs Ernst & Young LLP, Public Accountants and Chartered Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**

6. To transact any other ordinary business which may properly 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:

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 ("Act") and Rule 806 of the Listing Manual – Section B: Rules of Catalist ("Catalist Rules") of the Singapore Exchange Securities Trading Limited ("SGX-ST")**

That pursuant to Section 161 of the Act and Rule 806 of Catalist Rules, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company whether by way of rights, bonus or otherwise; and/or

(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

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# ANNUAL GENERAL MEETING

(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,

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant to 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) 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) 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) 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 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 9)**

8. **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 (the "**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:-

# NOTICE OF
# ANNUAL GENERAL MEETING

(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 (the "**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 Companies 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);

"**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,

# NOTICE OF
# ANNUAL GENERAL MEETING

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 10)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 9 September 2016

**Explanatory Notes:**

(i) Mr. Er Kwong Wah will, upon re-election as a Director of the Company, remains as the Chairman of the Audit Committee and Remuneration Committee and a member of the Nominating Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr. Andrew Chua Thiam Chwee will, upon re-election as a Director of the Company, remains as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr. Ho Ying Ming will, upon re-election as a Director of the Company, remains as the member of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

(ii) Resolution 9, 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) 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.

# NOTICE OF
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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) 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 10 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 9 September 2016 (in relation to the proposed renewal of the Share Purchase Mandate) attached to the Company's Annual Report 2016.

**Notes:**

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM (the "**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 30 Pioneer Road, Singapore 628502 not less than forty-eight (48) hours before the time appointed for holding the 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 Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (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, the "**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)

**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.

### ANNUAL GENERAL MEETING PROXY FORM
*(Please see notes overleaf before completing this Form)*

I/We, ______________________________ (Name) ______________ (NRIC/Passport No)

of ____________________________________________ (Address)

being a member/members of **GKE CORPORATION LIMITED** (the "**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 (the "**Meeting**") of the Company to be held at 30 Pioneer Road, Singapore 628502 on Wednesday, 28 September 2016 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 2016 | | |
| 2 | Declaration of final dividend (tax exempt one-tier) | | |
| 3 | Approval of Directors' fees amounting to S$176,000 for the financial year ended 31 May 2016 | | |
| 4 | Re-election of Mr. Neo Cheow Hui as a Director | | |
| 5 | Re-election of Mr. Er Kwong Wah as a Director | | |
| 6 | Re-election of Mr. Andrew Chua Thiam Chwee as a Director | | |
| 7 | Re-election of Mr. Ho Ying Ming as a Director | | |
| 8 | Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration | | |
| **Special Business** | | | |
| 9 | Authority to allot and issue shares | | |
| 10 | 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 ______________ 2016

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________
*Signature of Shareholder(s)*
*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 30 Pioneer Road Singapore 628502 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.

**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 9 September 2016.

**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.

# 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. Er Kwong Wah**
*(Lead Independent Director)*

**Mr. Andrew Chua Thiam Chwee**
*(Independent Director)*

**Mr. Ho Ying Ming**
*(Independent Director)*

**Mr. Liu Ji Chun**
*(Non-Executive Director)*

## COMPANY SECRETARY

Shirley Tan Sey Liy (ACIS)

## SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

## AUDIT COMMITTEE

Mr. Er Kwong Wah
*(Chairman)*
Mr. Andrew Chua Thiam Chwee
Mr. Ho Ying Ming

## NOMINATING COMMITTEE

Mr. Andrew Chua Thiam Chwee
*(Chairman)*
Mr. Er Kwong Wah
Mr. Ho Ying Ming

## REMUNERATION COMMITTEE

Mr. Er Kwong Wah
*(Chairman)*
Mr. Andrew Chua Thiam Chwee
Mr. Ho Ying Ming

## AUDITORS

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge: Mr. Tan Soon Seng
(Appointed on 1 August 2015)

## CONTINUING SPONSORS

RHT Capital Pte. Ltd.
Six Battery Road #10-01
Singapore 049909

Registered Professional:
Ms. Amanda Chen

## PRINCIPAL BANKER

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

## REGISTERED OFFICE

30 Pioneer Road
Singapore 628502
Tel: (65) 6261 7770
Fax: (65) 6266 2557
Website: www.gke.com.sg

## INVESTOR RELATIONS

Equitique Communications Pte. Ltd.
137 Cecil Street
#10-08
Singapore 069537
Email: equitique@eqtq.com.sg

GKE
CORPORATION LIMITED