CORPORATION LIMITED

DRIVEN BY RESPONSIBILITY

ANNUAL REPORT 2015

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 logistics solutions provider offering one-stop, door-to-door multi-modal solutions for supply chain management. The business activities of GKE can be divided into three distinctive segments: (i) third party logistics, (ii) shipping logistics, and (iii) infrastructural logistics.

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 logistics business under the "GKE" brand name. It provides total integrated and comprehensive logistics solutions and services that include general warehousing, 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.

GKE started its shipping logistics business, through a 50% joint venture which has entered into a shipbuilding contract to construct an 83,000 cubic metres (m^3) liquid natural gas ("LNG") carrier vessel, to leverage on the potential of natural gas as a cleaner fuel for power generation. The vessel is a 53,800 deadweight tonnes LNG carrier registered under Lloyds Register of Shipping. The vessel is expected to be completed by 2016.

The Group's infrastructural logistics business is carried out through its wholly-owned subsidiary, Wuzhou Xing Jian Readymix Co., Ltd. (梧州市星建混凝土有限公司) and an associated company, Maoming City Hung Ji Construction Materials Co., Ltd. (茂名市宏基建材有限公司). Both companies are primarily engaged in the manufacturing of environmentally-friendly lightweight bricks, building materials and cement products for supply to the domestic construction sector of the People's Republic of China (the "PRC").

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

The details of the contact person for the Sponsor is:

Name: Ms. Amanda Chen
(Registered Professional, RHT Capital Pte. Ltd.)
Address: Six Battery Road, #10-01, Singapore 049909
Tel: 6381 6757

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LETTER TO SHAREHOLDERS

Mr. Chen Yong Hua
Executive Chairman and Executive Director

DEAR SHAREHOLDERS,

The logistics industry faced another challenging year amid weak economic conditions, manpower limitations and intense competition among industry players. We persevered in our efforts to strengthen our integrated logistics business by streamlining our operations and shaping up our strategic focus in our three core logistics segments – (i) third party logistics, (ii) shipping logistics, and (iii) infrastructural logistics.

The Group achieved revenue growth of 15.4% to S$36.2 million for the financial year ended 31 May 2015 ("FY2015"). Better cost management boosted gross profit by 44.6% to S$9.2 million for FY2015 and gross profit margin improved from 20.4% in FY2014 to 25.5% in FY2015. The Group remained in a loss-making position, but the net loss attributable to shareholders of S$3.8 million in FY2015 was significantly reduced from S$5.9 million in FY2014. This set of results mainly stemmed from **our third party logistics** segment, which generated higher revenue with contributions from our newly acquired and constructed warehouses at 6 Pioneer Walk and Yangshan, China, respectively.

In July 2014, the Group's wholly-owned subsidiary, Wuzhou Xing Jian Ready-mix Co., Ltd (梧州市星建混凝土有限公司) has successfully tendered the piece of 29,640 square metres land at Wuzhou City, Guangxi Autonomous Region in China. Construction of the planned cement mixing plant is underway and the Group expects completion and commercialisation of this plant by end 2015. Together with its associated company, Maoming City Hung Ji Construction Materials Co., Ltd. (茂名市宏基建材有限公司), the Group's **infrastructural logistics** segment is poised to be one of the leading suppliers that focuses on manufacturing environmentally-friendly lightweight bricks, building materials and cement products for the construction sector in China, on the back of continued urbanisation and long-term economic growth of China that will continue to support the demand for commercial and residential property developments across China.

During the year, the Group carried out a non-underwritten Rights Issue and raised the maximum net proceeds of S$12.6 million in this fund raising exercise. We are heartened by the overwhelming support from our shareholders.

Part of the net proceeds from the Rights Issue have been deployed to the construction of the 83,000m^3 liquid natural gas ("LNG") carrier vessel through the Group's wholly-owned subsidiary, GKE Shipping Co., Ltd's 50-50 joint venture, Steadfast (HK) Co., Ltd. This LNG vessel due to be completed by 2016, is expected to drive growth in the **shipping logistics** segment with the potential demand for natural gas as a cleaner fuel for power generation. The Group is currently pursuing a chartering contract for this LNG vessel.

Whilst the Group expands across the logistics spectrum, it also looks into consolidating its existing operations to maximise efficiencies and profitability for the Group. During the year, it has ceased the operations of GKE & Mohseng Pte. Ltd. and disposed its 60% equity interest in GKE Air Logistics Pte. Ltd.

Balancing the Challenging Outlook
We expect the macro business conditions to remain difficult in the year ahead, with keen competition and weak global economic conditions to persist. Having streamlined our operations and improved operational

efficiencies, we will continue to grow prudently in our integrated logistics solutions and services. We believe our earlier investments, in particular, the shipping logistics and infrastructural logistics segments are taking shape, and these logistics capabilities in these segments will further strengthened the Group as a significant player in the logistics related businesses in Asia Pacific. The Group is well-positioned to turn in an improved performance for FY2016, barring any unexpected developments or downturn in global economies.

In July 2015, we entered into a memorandum of understanding with Viva Industrial Trust Management Pte. Ltd. ("Viva Industrial Trust") for the proposed sale and leaseback of our existing headquarters cum warehouse property located at 30 Pioneer Road in Singapore. Upon completion of the legal and building due diligence in August 2015, the Group signed the agreement for the sale of the property. This proposed disposal will unlock cash of approximately S$45 million from our asset to allow the Group to pursue its expansion plan to develop its warehouse located at 39 Benoi Road, which is subject to approval from Jurong Town Corporation on the extension of the lease expiry to 2037.

As part of the agreement, the Group will lease back its 30 Pioneer Road property for five years. During the five-year tenure, Viva Industrial Trust will top up another S$3 million in the sale consideration when the Group completes the construction of a ramp to connect 30 Pioneer Road and 39 Benoi Road. We will update our shareholders on the developments as and when appropriate.

Pursuing Viable Strategic Investment Opportunities
We remain on the lookout for viable strategic investment opportunities to strengthen our Group.

We will continue to tap on the diverse knowledge, experience and expertise of our Board of Directors, for their guidance and connections to broaden our business segments, and create stable and sustainable income streams for the Group.

Acknowledgements and Appreciation
On behalf of the Board, we extend our sincere gratitude to our customers, vendors, business partners, bankers and dedicated employees for their strong support throughout the years.

We would also like to convey our sincere appreciation to the Board and on its behalf, thank the former Board members – Mr. Neo Kok Ching and Mr. Wang Jian Wen, for their commitments and invaluable contributions to the Group, in particular, our heartfelt thanks to our Founder, Mr. Neo Kok Ching, who has been instrumental to the growth of GKE Group since its inception in 1995. We also extend our welcome to Ms. Qian Wen Hua who joined the Board on 1st March 2015. Mr. Wang Jian Ping is reappointed as the alternate director to Ms. Qian Wen Hua on 1st March 2015.

Last but not least, we extend our warmest gratitude to our shareholders for their support and confidence in us, and we look forward to your continued support and faith as we strive to strengthen the Group and enhance shareholder value.

Mr. Neo Cheow Hui
Chief Executive Officer and Executive Director

Chen Yong Hua
Executive Chairman
and Executive Director

Neo Cheow Hui
Chief Executive Officer
and Executive Director

致股东的信

尊敬的股东，

伴随着疲软的经济状况、人力资源短缺及物流行业的激烈竞争，锦佳集团(简称“锦佳”或“集团”)又度过了一个充满挑战的一年。尽管如此，我们仍继续坚持加强我们的综合物流业务，精简运作，并塑造了我们三大核心物流领域：(i) 第三方物流 (ii) 航运物流及 (iii) 基建物流。

集团在截止于2015年5月31日财政年度(简称“2015财政年”)取得15.4%的收入增长，达到3,620万新币，收入主要来自第三方物流业务，其中先驱路6号仓库及洋山仓库收入颇丰。我们也通过更好的成本管理使得毛利全年增长44.6%，达到920万新币，毛利率也由2014财政年的20.4%提升至2015财政年的25.5%。尽管集团仍处于亏损，但股东净亏损在全年已由2014财政年的590万新币显著减少至380万新币。

集团全资子公司，梧州市星建混凝土有限公司，于2014年7月在中国广西自治区梧州市成功竞标到一块面积约为29,640平方米的土地。混凝土工厂建设已按计划进行，集团预期工厂可于2015年末竣工并实现商业化。梧州市星建将携手集团的附属公司，茂名市宏基建材有限公司，成为集团基建物流业务的重要组成部分，聚焦于生产制造业环境友好型产品，如轻质砖、建筑材料及混凝土产品等。伴随中国持续的城市化和经济的长期增长，我们相信集团的基建物流业务有望在中心城市对高品质商业和住宅地产需求下成为领先供应商之一。

2015财政年间，集团发售了非包销附加股，获得股东的鼎力支持，所得款项净额1,260万新币。

附加股部分所得款项已用于建造83,000立方米的液化天然气运输船，此船是由公司全资子公司，锦佳船运有限公司通过Steadfast (HK) Co., Ltd所共同成立的合资公司进行建造，预计可于2016年竣工。天然气作为发电的清洁燃料有很大的潜在需求，预计能促进集团航运物流业务的发展，推动增长。集团目前正寻求运输船的包租合同。

与此同时，集团不仅对物流业务进行扩张，也对现有运营进行整合，2015财政年期间，集团停止运营锦佳茂盛有限公司并且出售锦佳航空物流有限公司60%股权，以实现效率最高化及利润最大化。

平衡具有挑战性的前景

集团预计在未来一年中仍会面临很多艰难险阻，激烈的竞争、疲软的全球经济环境无疑会对集团业绩造成一定的冲击。但集团勇于面对、敢于挑战，目前已通过一系列的调控与精简运营，提升效率，集团将聚焦发展，致力成为综合物流领先供应商之一。集团早期的投资尤其是航运物流及基建物流已逐步成型，我们相信物流能力将能够加强集团在亚太区物流行业扮演更重要的角色。集团已蓄力发展，争取在2016财政年再创佳绩。

于2015年7月，集团与亿达工业房地产信托管理有限公司(简称“亿达工业房地产信托”)签署有关位于新加坡30号先驱路的总公司兼仓库售后回租的谅解备忘录。在2015年8月完成法律和建筑的尽责调查后，集团已签署了产业销售协议。此建议出售将从我们的资产解锁大约4,500万新币现金，允许集团寻求发展位于39号贡耐路的仓库，有待裕廊镇管理局批准将租约届满延长至 2037年。

作为协议的一部分，集团将租回其30号先锋路产业为期五年。在五年任期内，亿达工业房地产信托将在集团建成连接30号先锋路和39号贡耐路的坡道桥梁后在产业售价上会另加300万新币。此项目如有任何进展集团将会及时向股东汇报。

寻求可行的战略投资机会

我们将继续寻求可行的战略投资机会以加强集团的实力。

未来，我们会继续与董事局通力合作，运用他们的专业知识和经验逐步扩展集团业务，相信在各位董事的指导和商业网络下，能够为集团创造稳定和持久的收益。

鸣谢

我们谨代表锦佳集团董事会，向做出卓越贡献的各位员工、向一如既往支持集团的各位客户、供应商、业务伙伴、银行家表示衷心的感谢。

在此，我们也向集团董事会表达我们诚挚的感谢，也代表董事会感谢前董事会成员：梁国钦先生及王建文先生，感谢他们为集团做出的卓越贡献，特别是锦佳集团的创办人，梁国钦先生，自集团1995成立就一直为集团的成长做出宝贵的贡献。同时我们也欢迎钱文华女士在2015年3月1日加入锦佳集团董事会，相信她的加入能够为集团注入新动力。

最后，我们诚挚地感谢集团股东们能够一如既往地支持并信任集团，各位的支持是锦佳集团苗长成长的力量源泉，我们也期待集团能够在你们的支持下勇往直前、再创佳绩、提升股东价值。

陈永华
主 席

梁昭辉
总 裁

OUR VISION

To become one of the largest integrated logistics solution provider in Singapore

OUR MISSION

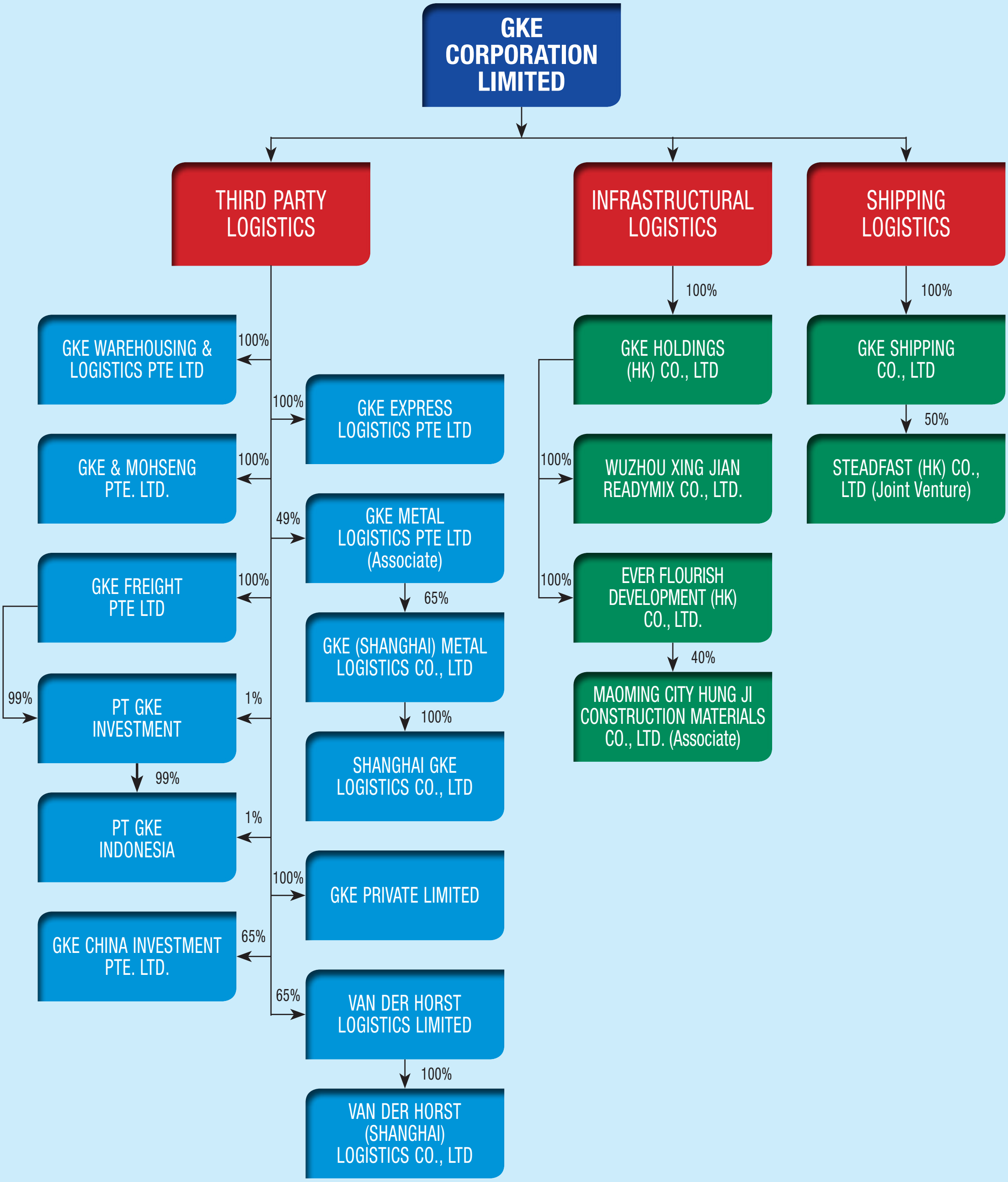
To deliver effective solutions for our clients and value for our stakeholders

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.

CORPORATE STRUCTURE



GKE strives to further strengthen its earnings base to enhance greater value for shareholders by broadening its logistics spectrum and leveraging on the synergies of its three core businesses.

Third Party Logistics

This business segment offers integrated and comprehensive logistics supply chain management solutions and services under the "**GKE**" brand name.

GKE Warehousing & Logistics Pte Ltd provides end-to-end logistics solutions and services to its customers in consumer products, oil & gas and retail industries. It receives cargoes at destinations, provides storage at GKE's warehouse and delivers to recipients in Singapore and across the globe.

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 project logistics management services with its own fleet of prime movers and trailers.

Metal logistics services are operated through the Group's associated company, **GKE Metal Logistics Pte Ltd**, which is also an approved London Metal Exchange ("LME") warehouse service provider in Singapore and Shanghai. 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.

Shipping Logistics

The Group made its foray into shipping logistics with its joint venture in **Steadfast (HK) Co., Ltd** to construct an 83,000m^3 LNG carrier vessel, which is expected to be completed by 2016. The vessel is a 53,800 deadweight tonnes LNG carrier registered under Lloyds Register of Shipping.

Infrastructural Logistics

This business segment focuses on the infrastructure materials supply chain management in the construction sector in China. Its wholly-owned subsidiary, **Wuzhou Xing Jian Readymix Co., Ltd.** (梧州市星建混凝土有限公司) and an associated company, **Maoming City Hung Ji Construction Materials Co., Ltd.** (茂名市宏基建材有限公司), are primarily engaged in the manufacturing of environmentally-friendly lightweight bricks, building materials and cement products.

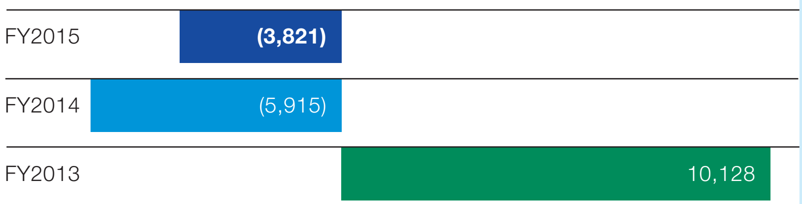
COMMITTED TO DELIVER

GROUP FINANCIAL HIGHLIGHTS

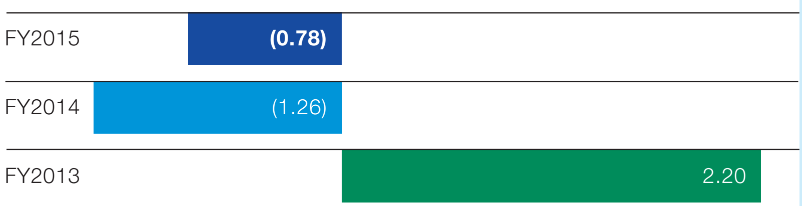
REVENUE
(S$'000)

NET ASSETS VALUE
(S$'000)

OPERATING PATMI
(S$'000)



EPS
(CENTS)



GROUP FINANCIAL HIGHLIGHTS

Financial Year Ended 31 May

	2015	2014	2013
FOR THE YEAR (S$'000)			
Revenue	36,200	31,381	26,538
Profit/(loss)			
EBITDA	5,681	1,416	13,235
Operating	(4,683)	(7,130)	9,963
Before tax	(4,105)	(6,876)	9,870
PATMI	(3,821)	(5,915)	10,128
PER SHARE (Singapore cents)			
Earnings/(Loss)			
Before tax	(0.84)	(1.46)	2.14
PATMI	(0.78)	(1.26)	2.20
Weighted average number of issued shares (thousand)	489,363	470,159*	460,744
Number of issued shares as at 31 May (thousand)	646,542	463,364	463,364
AT YEAR-END (S$'000)			
Net assets	82,139	72,429	77,913
Net tangible assets	76,750	68,923	74,316
Shareholders' funds	77,813	67,513	74,225
Minority interests	4,326	4,916	3,688
Capital employed	74,831	62,215	62,215
Total borrowings	71,066	73,133	6,594
Debt-to-equity ratio	86.5%	101.0%	8.5%
RETURN ON SHAREHOLDERS' FUNDS (%)			
Profit before tax	-5.3%	-10.2%	13.3%
PATMI	-4.9%	-8.8%	13.6%
SHAREHOLDERS' VALUE			
Distribution			
Final dividend (Singapore cents per share)	–	–	0.3
Share price as at 31 May (S$)	0.07	0.12	0.14

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

POWERING AHEAD FOR GROWTH


SANY
SANY

OPERATIONS & FINANCIAL REVIEW

The Group continued its effort to streamline its operations and improve on its operational efficiencies amid a challenging macro business environment for the financial year ended 31 May 2015 ("FY2015").

During the year, the Group's wholly-owned subsidiary, Wuzhou Xing Jian Ready-mix Co., Ltd (梧州市星建混凝土有限公司) successfully tendered for a piece of land of 29,640 square metres at Wuzhou City, Guangxi Autonomous Region in China, with a tender price of RMB7.35 million. This piece of land, intended for a cement mixing plant to produce and manufacture environmentally-friendly lightweight bricks, building materials and cement products, is currently under construction. This investment complements the Group's earlier acquisition of Ever Flourish Development (HK) Co., Limited in September 2013, which in turn owns 40% of Maoming City Hung Ji Construction Materials Co., Ltd. (茂名市宏基建材有限公司) ("Maoming") which also owns and operates a factory producing and manufacturing environmentally-friendly lightweight bricks, building materials and cement products. The completion of the cement mixing plant in Wuzhou City, together with Maoming's existing factory, will strengthen the Group's infrastructural logistics segment and allows the Group to ride on the growth of the continued industrialisation and urbanisation in China.

The Group carried out a Rights Issue during FY2015, raising net proceeds of S$12.6 million. The aim of the Rights Issue was to raise funds to pay for the carrier vessel, for repayment of the Group's borrowings as well as for working capital purposes. The construction of the 83,000m^3 liquid natural gas carrier vessel through its joint venture, Steadfast (HK) Co., Ltd, ("Steadfast") has commenced and is expected to complete by 2016.

As it expands its logistics capabilities, the Group also sought to streamline certain operations that were not profitable. It acquired the remaining 40% stake in GKE & Mohseng Pte. Ltd. ("GKEMS"), a company set up to provide mobile crane rental services, from the joint venture party, and ceased the crane service operations. The Group also disposed its 60% stake in GKE Air Logistics Pte Ltd, a company principally involved in the provision of freight forwarding, packing and crating services and other transportation support. With the streamlining, the Group will be able to focus its efforts on strengthening its capabilities as an integrated logistics service provider, while delivering better shareholder value.

For FY2015, GKE's third party logistics business formed the bulk of its operations. Under its shipping logistics business, the carrier vessel that is still under construction by its 50% joint venture with Steadfast, whereas contribution to its infrastructural logistics business is currently from its associate, Maoming.

OPERATIONS & FINANCIAL REVIEW

Despite revenue from only one business segment, GKE managed to narrow its net loss attributable to owners of the Company to S$3.8 million in FY2015, from S$5.9 million in FY2014. This was on the back of a 15.4% year-on-year increase in revenue to S$36.2 million. Revenue growth was mainly due to an increase in the volume handled by its local transportation services and higher revenue generated from its warehouses at 30 Pioneer Road, 6 Pioneer Walk and Yangshan, China.

Coupled with better cost management, gross profit increased by 44.6% year-on-year to S$9.2 million in FY2015, and gross profit margin improved from 20.4% in FY2014 to 25.5% in FY2015.

Operating expenses increased by 1.5% year-on-year to S$14.3 million in FY2015, mainly due to higher finance costs from higher borrowings for working capital purposes, and a one-off expense relating to the legal dispute over the proposed acquisition of Uniplas (Shanghai) Co., Ltd which resulted in higher administrative expenses. These were partially offset by lower other expenses as there were fewer acquisitions and corporate activities during the year.

In FY2015, finance costs increased by 32.8% year-on-year to S$1.8 million due to higher borrowings for its working capital.

Share of results of associates dipped by 97.6% year-on-year from S$0.3 million in FY2014 to S$7,000 in FY2015. This was attributed to lower profit contribution from GKE Metal Logistics Pte Ltd, owing to a weaker commodity market, and share of losses from Maoming. Share of results of joint venture represents the share of losses from Steadfast.

The Group's loss before tax was 40.3% lower at S$4.1 million in FY2015.

Tax expenses increased by 127.6% year-on-year from S$0.3 million in FY2014 to S$0.6 million in FY2015. This was mainly due to non-deductible tax depreciation charges as well as the Singapore government's phasing out of the industrial building allowance.

Consequently, net loss attributable to owners of the Company narrowed by 35.4% year-on-year to S$3.8 million in FY2015. This was driven by higher revenue contribution, improved gross margin as well as lower legal and professional fees in relation to the Group's acquisition and corporate activities.

FINANCIAL POSITION

The Group's equity attributable to owners of the Company improved from S$67.5 million as at end FY2014 to S$77.8 million as at end FY2015. This mainly arose from the share issuance in relation to the Rights Issue in April 2015. Based on the total number of issued shares excluding treasury shares of 641,125,290 shares, the Group's net asset value per share was 12.14 Singapore cents as at end FY2015.

Property, plant and equipment declined from S$121.3 million to S$115.4 million as at end FY2015, due to the disposal of crane equipment in GKEMS following the cessation of the crane service operations. This was partially offset with the purchase of fixed assets

OPERATIONS & FINANCIAL REVIEW

including trailers, motor vehicles, forklift and warehouse equipment for the cement mixing plant located in Wuzhou City, China. As a result, total non-current asset declined from S$141.4 million as at end FY2014 to S$135.7 million as at end FY2015.

Cash and cash equivalents as at end FY2015 was S$18.4 million, up from S$5.3 million at end FY2014, boosted by the proceeds from the Rights Issue. Together with an increase in trade and other receivables, total current assets increased from S$16.3 million as at end FY2014 to S$30.8 million as at end FY2015.

Total liabilities remained largely unchanged, amounting to S$84.3 million as at end FY2015, compared with S$85.3 million as at end FY2014. Non-current liabilities decreased from S$70.3 million as at end FY2014 to S$66.9 million as at end FY2015 as a result of repayment of loans in relation to the financing of the construction of the warehouse in Yangshan, China, and the acquisition of warehouses located at No. 6 Pioneer Walk and No. 39 Benoi Road. The decrease was offset by the increase in current liabilities from S$15.0 million as at end FY2014 to S$17.5 million as at end FY2015. The increase in current liabilities during the year was due to the professional fees payable in relation to the Rights Issue, higher borrowings to finance ongoing business expansion projects, and higher tax provision for FY2015.

CASH FLOW

The Group generated S$6.3 million from operating activities in FY2015, compared with S$1.4 million used in operating activities in FY2014. This was mainly due to the lower loss before tax and increase in trade and other receivables.

With fewer acquisitions and investments made during the year, net cash flows used in investing activities was significantly lower at S$0.5 million in FY2015, compared with S$20.6 million in the previous financial year.

Net cash generated from financing activities was S$7.2 million in FY2015, compared with S$16.3 million in FY2014. This was mainly due to lower bank borrowings of S$3.5 million and the S$12.6 million net proceeds from the Rights Issue, which was partially offset by higher repayment of loans and borrowings and obligations under finance leases in FY2015.

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 has more than 20 years of experience in corporate leadership and company management. Currently, Mr. Chen holds several directorships in a few China companies namely, Dongguan Tian Hua Chuang Zhan Print Co., Ltd, Shenzhen Huayue Chuangzhan Industrial Co., Ltd and Shenzhen Jiachen Investment Co., Ltd. These companies operate in various industries mainly building materials, real estate development, logistics as well as newspaper printing. With his vast experience, Mr. Chen has an in depth understanding of China's economic environment and will be able to spearhead the group's expansion in future.

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 the 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 has 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.

BOARD OF DIRECTORS

MR. WANG JIAN PING

Alternate Director to Qian Wen Hua

Mr. Wang Jian Ping was appointed as an Alternate Director to Qian Wen Hua on 1 March 2015. He is currently the chairman of Shandong Pu Yuan Construction Machinery Co., Ltd, the chairman of Guang Dong Yue Song Construction Machinery Co., Ltd and the chairman of Fujian Komatsu Construction Machinery Co., Ltd. With his more than 20 years of experience in Construction Machinery, Mr. Wang has a strong business network in China and has over the years congealed his reputation in this industry.

MR. ER KWONG WAH

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. Currently, 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. MAHTANI BHAGWANDAS

Independent Director

Mr. Mahtani Bhagwandas was appointed as an Independent Director of our Company on 16 December 2002. Mr. Mahtani is the Chairman of the Nominating Committee and is also a member of the Audit and Remuneration Committees. He has been practising as an advocate and solicitor of the Supreme Court of Singapore since 1993 and is currently a Partner of LegalStandard LLP, a law firm in Singapore, and has been, in the preceding eight years, also a director of Arcus Carriers Pte Ltd, Arpharama Pte Ltd, Azee Communications Pte Ltd, Alliance Mineral Assets Limited, Elsmore Maritime Singapore Pte Ltd, Filago Pte Ltd, Good Lord Pte Ltd, GRP Limited, IBIS Capital Pte Ltd, Kraainem Holdings Pte Ltd, Kundanmals' Holdings Pte Ltd, Misha Pte Ltd, Rock Solid Singapore Pte Ltd, SBI Offshore Limited, Solution Focused Pte Ltd, TBT Pte Ltd. Mr. Mahtani graduated from the National University of Singapore with a Bachelor of Laws (Honours) degree in 1992.

BOARD OF DIRECTORS

MS. ANGELIC CHEAH YEE PING

Independent Director

Ms. Angelic Cheah was appointed as an Independent Director of our Company on 14 January 2008. She is a member of the Audit, Remuneration and Nominating Committees. Currently she is the Managing Director of PACAL Consulting Pte Ltd, specializing in corporate advisory services for investments; acquisitions; fund raising and financing for clienteles worldwide. She is also the Director on the Board of various private limited companies.

She has been involved in high profile restructuring work; recapitalization for the companies and successfully turn the companies around. Her discerning ability in sieving out valued investments through her thorough knowledge of business models had produced respectable returns for investors and stakeholders.

As a strong advocate in helping under-privileged children, she is active in volunteering; producing and managing community development and social programs in Singapore and in the region.

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. BEN TEO TECK SING

Chief Financial Officer

As Chief Financial Officer, Ben is responsible for Corporate Finance & Treasury, Accounts, Tax and Risk management of GKE Corporation Limited and oversees there functions across the Group. He also handles investor relations matters for the Group. Prior to joining the Group in January 2015, he has over 15 years of experience in audit and accounting and had experience in few public listed companies on the Singapore Exchange Securities Trading Limited of which Ben was responsible for overseeing the financial management, corporate governance, listing requirement compliance, and other finance related matters. Ben is fellow member of the Association of Chartered Certified Accountants, United Kingdom and the Institute of Certified Public Accountants of Singapore.

MS. DOREEN CHAI HWEE HOON

Group General Manager
Managing Director – GKE Freight Pte Ltd
Managing Director – GKE Express Logistics Pte Ltd

Ms. Chai started the Freight division for the group since October 2004. She was promoted to Group General Manager in 2006 to assist the CEO to promote the Logistics activities. She is now responsible to develop and expand the Freight and Project Logistics division 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 is the Managing Director of GKE Warehousing & Logistics Pte Ltd. She has been with GKE since the inception of the Group in 1995. She is responsible for the management of the company and play a key role in business development for her entity. Ms. Neo graduated from Charles Sturt University with a Bachelor degree in Business Administration and Economics.

MS. LI ZI YAN

Investment Manager of GKE Corporation Limited

Ms. Li Zi Yan joined the Investment Department of GKE Corporation Limited as Investment Manager in February 2012 and is responsible for the investment management of GKE Holding (HK) Co., Limited.

Prior to joining, Ms. Li Zi Yan held various positions as the Chief Executive Officer and Financial Controller in several large and medium-sized enterprise in China. Ms. Li holds a Bachelor Degree in Economics and Business Management from Renmin University of China.

MR. LI HAO QUAN

Deputy Investment Manager of GKE Corporation Limited

Mr. Li Hao Quan joined the Investment Department of GKE Corporation Limited in March 2013 and is responsible for the investment management of the GKE Holding (HK) Co., Limited.

Prior to joining, Mr. Li Hao Quan joined the Bank of Dongguan in Shenzhen as risk control manager in 2007 and is familiar with the process of business valuation. Mr. Li graduated from Jinan University with a Bachelor's degree in economics.

REPORT OF **CORPORATE GOVERNANCE**

The Board of Directors (the "**Board**") of GKE Corporation Limited (the "**Company**") is committed to maintaining 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.

REPORT OF **CORPORATE GOVERNANCE**

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

The following table sets out the number of Board and Board Committees meetings held during the financial year ended 31 May 2015 ("**FY2015**") and the attendance of each Director at these meetings:

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Chen Yong Hua	4	4	4	4*	1	1*	1	1*
Neo Cheow Hui	4	4	4	4*	1	1*	1	1*
Neo Kok Ching(1)	4	3	4	3*	1	–	1	–
Qian Wen Hua(2) (Alternate Director, Wang Jian Ping)	4	1	4	1*	1	–	1	–
Er Kwong Wah	4	4	4	4	1	1	1	1
Mahtani Bhagwandas	4	4	4	4	1	1	1	1
Angelic Cheah Yee Ping	4	2	4	2	1	1	1	1
Liu Ji Chun	4	1	4	–	1	–	1	–
Wang Jian Wen(3) (Alternate Director, Wang Jian Ping)	4	2	4	1*	1	–	1	–

Notes:

* By invitation

(1) Mr. Neo Kok Ching has resigned as Executive Director on 28 February 2015.

(2) Ms. Qian Wen Hua was appointed as Executive Director on 1 March 2015 and Mr. Wang Jian Ping was appointed as Alternate Director to Ms. Qian Wen Hua on 1 March 2015.

(3) Mr. Wang Jian Wen has resigned as Non-Executive Director on 28 February 2015 and Mr. Wang Jian Ping has ipso facto ceased as the Alternate Director to Mr. Wang Jian Wen.

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.

REPORT OF **CORPORATE GOVERNANCE**

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.

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.

New 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.

REPORT OF **CORPORATE GOVERNANCE**

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 (her alternate, Mr. Wang Jian Ping)

Non-Executive Director
Mr. Liu Ji Chun

Independent Directors
Mr. Er Kwong Wah
Mr. Mahtani Bhagwandas
Ms. Angelic Cheah Yee Ping

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.

REPORT OF **CORPORATE GOVERNANCE**

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. Mahtani Bhagwandas ("**Mr. Mahtani**"), who has served the Board beyond 9 years. The relevant factors that were taken into consideration in determining the independence of Mr. Mahtani are set out under Principle 4 in pages 26 to 29.

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.

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.

REPORT OF **CORPORATE GOVERNANCE**

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 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. As the respective Independent Directors are well known personages in their fields of expertise, the Independent Directors are able to address the shareholders' concerns if contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer has failed to resolve the shareholders' concerns. Currently the appointment of a lead independent director is not necessary and the Company will consider the appointment of lead independent director where appropriate.

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. Mahtani Bhagwandas (Chairman)
Mr. Er Kwong Wah
Ms. Angelic Cheah Yee Ping

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.

REPORT OF **CORPORATE GOVERNANCE**

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 Articles of Association 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. Liu Ji Chun, Mr. Chen Yong Hua and Ms. Qian Wen Hua be nominated for re-election at the forthcoming AGM. The Board had accepted the recommendations and the retiring Directors will be offering themselves for re-election.

For the financial year under review, the NC is of the view that the Independent Directors of the Company are independent (as defined 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:

a. The considerable amount of experience and wealth of knowledge that the independent director brings to the Company.

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

c. 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.

d. The qualification and expertise provides reasonable checks and balances for the Management.

REPORT OF **CORPORATE GOVERNANCE**

e. 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.

f. The independent director provides overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interests.

In this regard, the NC with the concurrence of the Board, has reviewed the suitability of Mr. Mahtani being an Independent Director who has served on the Board for more than 9 years and has determined that Mr. Mahtani remains independent. He abstains from voting on any resolution where it relates to his appointment.

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. The NC and the Board will review the period for the appointment of the alternate director where necessary. The NC and the Board are of the view that Mr. Wang Jian Ping is familiar with the Company's affairs and appropriately qualified.

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 17 to 19 and 45 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 2012/28 September 2012	√
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/NA	√
Mr Wang Jian Ping	Alternate Director to Ms Qian Wen Hua	Board member	1 March 2015/NA	NA
Mr Er Kwong Wah	Independent Director	Board Member, Chairman of AC, Chairman of 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 Mahtani Bhagwandas	Independent Director	Board Member, Chairman of NC, Member of AC and Member of RC	16 December 2002/29 September 2014	–
Ms Angelic Cheah Yee Ping	Independent Director	Board Member, Member of AC, Member of NC and Member of RC	14 January 2008/30 September 2013	–
Mr Liu Ji Chun	Non-Executive Director	Board Member	1 November 2005/30 September 2013	√

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

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. No external facilitator was used in the evaluation process.

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.

REPORT OF **CORPORATE GOVERNANCE**

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. The NC would consider the implementation of the formal evaluation for the Board Committees for the next financial year.

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.

REPORT OF **CORPORATE GOVERNANCE**

(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 Mahtani Bhagwandas
Ms Angelic Cheah Yee Ping

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.

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. In FY2015, the Company has engaged the remuneration consultants on matters relating to remuneration for the Board and key executives of the Company.

REPORT OF **CORPORATE GOVERNANCE**

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 FY2015 are as follows:

Directors

Names	Directors' Fees# (%)	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
S$250,000 – S$500,000					
Chen Yong Hua	–	91	7	2	100
Neo Kok Ching(1)	–	93	4	3	100
Neo Cheow Hui	–	88	7	5	100
Below S$250,000					
Liu Ji Chun	100	–	–	–	100
Wang Jian Wen(2)	100	–	–	–	100
Qian Wen Hua(3)	–	94	–	6	100
Er Kwong Wah	100	–	–	–	100
Mahtani Bhagwandas	100	–	–	–	100
Angelic Cheah Yee Ping	100	–	–	–	100

Notes:

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

(1) Mr. Neo Kok Ching has resigned as Executive Director on 28 February 2015.

(2) Mr. Wang Jian Wen has resigned as Non-Executive Director on 28 February 2015.

(3) Ms. Qian Wen Hua was appointed as Executive Director on 1 March 2015.

REPORT OF **CORPORATE GOVERNANCE**

A breakdown, showing the level and mix of top key management personnel who are not Directors or the CEO of the Company for FY2015 are as follows:–

	Salary	**Bonus**	**Benefits**	**Total**
Name of Key Management Personnel	**%**	**%**	**%**	**%**
S$250,000 to S$500,000				
Chai Hwee Hoon, Doreen	69	30	1	100
Neo Hwee Lee, Marina[(1)]	67	32	1	100
Below S$250,000				
Clarence Tan[(2)]	91	9	0	100
Ben Teo Teck Sing[(3)]	96	0	4	100
Li Zi Yan	85	13	2	100
Li Hao Quan	83	15	2	100

Notes:

(1) Ms Neo Hwee Lee is the daughter of Mr Neo Kok Ching and sister of Mr Neo Cheow Hui.

(2) Mr Clarence Tan has resigned as Group Chief Financial Officer on 28 February 2015.

(3) Mr Ben Teo Teck Sing was appointed as Chief Financial Officer on 14 January 2015.

For FY2015, the aggregate total remuneration paid to the key management personnel (who are not the Directors or the CEO) of the Company amounted to S$1,146,244.

For FY2015, 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.

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.

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.

REPORT OF **CORPORATE GOVERNANCE**

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Board understands its accountability to 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.

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.

REPORT OF **CORPORATE GOVERNANCE**

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 and reporting these risks to the Board Risk Committee to better determine whether appropriate measures have been taken to address relevant risks. 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 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 Board Risk Committee at least on a half yearly basis. A set of risk registers to document risks arising from this ERM exercise has been also been established to document all key risks and the corresponding countermeasures and will be updated whenever new risks emerge or when there are applicable changes in the business environment.

  The Company is in the process implementing a Control Self-Assessment ("**CSA**") exercise covering key operating areas in the Group. This exercise 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 Board Risk 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 FY2015 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 Mahtani Bhagwandas
Ms Angelic Cheah Yee Ping

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. Mahtani has been practising as an advocate and solicitor of the Supreme Court of Singapore since 1993 and is currently a Partner of LegalStandard LLP, a law firm in Singapore. Ms. Angelic Cheah Yee Ping has been the Managing Director of PACAL Consulting Pte Ltd since 2005. 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.

REPORT OF **CORPORATE GOVERNANCE**

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 FY2015 amounted to S$24,000 and S$151,000 respectively.

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

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 as its outsourced internal auditors. Messrs BDO LLP 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.

REPORT OF **CORPORATE GOVERNANCE**

Messrs BDO LLP 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 Messrs BDO LLP has the necessary resources to adequately perform its functions and has appropriate standing within the Company. The AC also meets with the internal auditor without the presence of the Management.

Messrs BDO LLP 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.

Messrs BDO LLP 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, Messrs BDO LLP 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 recognize, 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 Articles of Association does not include the nominee or custodial services to appoint more than two proxies.

REPORT OF **CORPORATE GOVERNANCE**

Communication with Shareholders

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

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

- Annual 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 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.

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.

REPORT OF **CORPORATE GOVERNANCE**

Conduct of Shareholder Meeting

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

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

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings. The Company will make available minutes of general meetings to shareholders upon their 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 shall adhere to the requirements of the Code where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015.

(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 1207(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, 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 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[(1)]	(4.48)
Net proceeds balance	**8.12**

Note:

(1) The Group's wholly-owned subsidiary, GKE Shipping Co., Limited, together with Southwest Maritime Limited incorporated a joint venture company by the name of Steadfast (HK) Co., Limited ("**Steadfast**") to engage in the building and chartering of vessels. Steadfast had entered into a shipbuilding contract to construct an 83,000 CBM gas carrier vessel designed for transporting liquefied natural gas (LNG).

REPORT OF CORPORATE GOVERNANCE

(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 33 of the financial statements.

(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(20) of the Rules of Catalist, there was no non-sponsor fee paid to the sponsor for FY2015.

The Company paid an aggregate of approximately S$50,000 to RHT Capital's affiliate, RHT Corporate Advisory Pte. Ltd., for corporate advisory services rendered to the Company for FY2015.

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 Wang Jian Ping	Alternate Director to Ms Qian Wen Hua	Board Member	Nil	Nil
Mr Er Kwong Wah	Independent Director	Board Member, Chairman of Audit Committee, Member of Nominating Committee and Member of Remuneration Committee	• COSCO Corporation (S) Limited • China Essence Group Ltd. • Eucon Holding Limited • China Sky Chemical Fibre Co., Ltd • CFM Holdings Ltd • C Y Foundation Limited	• Hartawan Holdings Ltd (now known as Wilton Resources Corporation Ltd.) • China Oilfield Technology Services Group Limited
Mr Mahtani Bhagwandas	Independent Director	Board Member, Chairman of Nominating Committee, Member of Audit Committee and Member of Remuneration Committee	• SBI Offshore Limited • GRP Limited • Alliance Mineral Assets Limited	Nil
Ms Angelic Cheah Yee Ping	Independent Director	Board Member, Member of Audit Committee, Member of Nominating Committee and Member of Remuneration Committee	Nil	Nil
Mr Liu Ji Chun	Non-Executive Director	Board Member	Nil	Nil

DIRECTORS' **REPORT**

The directors 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 2015.

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) (Appointed on 1 March 2015)
Liu Ji Chun	(Non-Executive Director)
Wang Jian Ping	(Alternate Director to Qian Wen Hua)
Er Kwong Wah	(Independent Director)
Mahtani Bhagwandas	(Independent Director)
Angelic Cheah Yee Ping	(Independent Director)

In accordance with Article 107 of the Company's Articles of Association, Liu Ji Chun, Chen Yong Hua and Qian Wen Hua would be retiring and being eligible, offer themselves for re-election at the forthcoming AGM for the financial year ended 31 May 2015.

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' 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	48,000,000	67,200,000	–	–
Neo Cheow Hui	10,000,000	10,000,000	17,445,300	17,445,300
Qian Wen Hua	40,000,000	56,760,000	–	–
Liu Ji Chun	–	–	24,263,000	33,997,600
Wang Jian Ping	–	–	13,498,000	18,897,200

DIRECTORS' **REPORT**

Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 June 2015.

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.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

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

Audit Committee

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly, half year and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

DIRECTORS' REPORT

Audit Committee (cont'd)

- 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, except for one where a member was absent. 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
25 August 2015

STATEMENT **BY DIRECTORS**

We, Neo Cheow Hui and Qian Wen Hua, being two of the directors of GKE Corporation Limited, do hereby state that, in the opinion of the directors:

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 May 2015 and the results of the business, 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.

On behalf of the board of directors:

Neo Cheow Hui
Director

Qian Wen Hua
Director

Singapore
25 August 2015

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

To the members of GKE Corporation Limited

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 52 to 142, which comprise the balance sheets of the Group and the Company as at 31 May 2015, 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.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

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 2015 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.

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

25 August 2015

CONSOLIDATED **INCOME STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

	Note	2015 $'000	2014 $'000
Revenue	4	**36,200**	31,381
Cost of sales		**(26,965)**	(24,994)
Gross profit		**9,235**	6,387
Other income	5	**964**	554
Expenses			
Marketing and distribution costs		**(190)**	(318)
Administrative expenses		**(12,340)**	(12,311)
Finance costs	6	**(1,780)**	(1,340)
Other expenses	7	**–**	(133)
Share of results of associates		**7**	286
Share of results of joint venture		**(1)**	(1)
Loss before tax	8	**(4,105)**	(6,876)
Income tax expense	9	**(578)**	(254)
Loss for the year, net of tax		**(4,683)**	(7,130)
Attributable to:			
Owners of the Company		**(3,821)**	(5,915)
Non-controlling interests		**(862)**	(1,215)
Loss for the year		**(4,683)**	(7,130)
Loss per share (cents per share) attributable to Owners of the Company			
Basic	10	**(0.78)**	(1.26)
Diluted	10	**(0.78)**	(1.26)

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 2015

	2015 $'000	2014 $'000
Loss for the year	**(4,683)**	(7,130)
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation gain on property, plant and equipment	**–**	947
Items that may be reclassified subsequently to profit or loss		
Fair value (loss)/gain on available-for-sale investments	**(125)**	131
Fair value transfer to profit or loss on disposal of available-for-sale investments	**–**	(19)
Foreign currency translation	**1,554**	(130)
Share of foreign currency translation of associates	**311**	(40)
Other comprehensive income for the year, net of tax	**1,740**	889
Total comprehensive income for the year	**(2,943)**	(6,241)
Attributable to:		
Owners of the Company	**(2,358)**	(5,338)
Non-controlling interests	**(585)**	(903)
Total comprehensive income for the year	**(2,943)**	(6,241)

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

BALANCE **SHEETS**

AS AT 31 MAY 2015

		Group		Company	
	Note	2015	2014	2015	2014
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**115,422**	121,267	**89**	169
Land use rights	12	**5,389**	3,506	**–**	–
Investments in subsidiaries	14	**–**	–	**45,998**	50,188
Investments in associates	15	**9,830**	9,513	**6,615**	6,615
Investment in joint venture	16	**4,511**	4,202	**–**	–
Available-for-sale investments	17	**509**	859	**509**	859
Other receivables	18	**–**	–	**7,159**	8,753
Prepayments	19	**–**	2,081	**–**	–
Total non-current assets		**135,661**	141,428	**60,370**	66,584
Current assets					
Trade and other receivables	18	**12,028**	10,671	**9,007**	5,705
Prepaid operating expenses		**349**	346	**25**	38
Cash at banks and on hand	20	**18,442**	5,256	**12,672**	330
Total current assets		**30,819**	16,273	**21,704**	6,073
Total assets		**166,480**	157,701	**82,074**	72,657
EQUITY AND LIABILITIES					
Equity					
Share capital	21	**74,831**	62,215	**74,831**	62,215
Treasury shares	22	**(848)**	(848)	**(848)**	(848)
Accumulated losses		**(14,021)**	(10,200)	**(15,331)**	(9,216)
Other reserves	23	**17,851**	16,346	**–**	125
Equity attributable to owners of the Company		**77,813**	67,513	**58,652**	52,276
Non-controlling interests		**4,326**	4,916	**–**	–
Total equity		**82,139**	72,429	**58,652**	52,276
Net current assets		**13,341**	1,272	**15,887**	4,395

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

BALANCE **SHEETS**

AS AT 31 MAY 2015

		Group		Company	
	Note	2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Non-current liabilities					
Borrowings	24	**61,155**	65,170	**17,595**	18,667
Deferred tax liabilities	25	**4,748**	4,764	**10**	36
Finance lease liabilities	28	**595**	–	**–**	–
Loan from non-controlling interests	26	**365**	337	**–**	–
Total non-current liabilities		**66,863**	70,271	**17,605**	18,703
Current liabilities					
Trade and other payables	26	**3,996**	2,340	**403**	70
Other liabilities	27	**2,949**	4,084	**763**	566
Borrowings	24	**8,219**	4,491	**4,576**	1,042
Finance lease liabilities	28	**1,097**	3,472	**–**	–
Tax payable		**1,217**	614	**75**	–
Total current liabilities		**17,478**	15,001	**5,817**	1,678
Total liabilities		**84,341**	85,272	**23,422**	20,381
Total equity and liabilities		**166,480**	157,701	**82,074**	72,657

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 2015

2015 Group	**Note**	**Share capital $'000**	**Treasury shares $'000**	**Accumu-lated losses $'000**	**Other reserves $'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	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)
– Foreign currency translation		–	–	–	1,277	1,277	277	1,554
– Share of other comprehensive income of associates		–	–	–	311	311	–	311
Other comprehensive income for the year, net of tax		–	–	–	1,463	1,463	277	1,740
Total comprehensive income for the year		–	–	(3,821)	1,463	(2,358)	(585)	(2,943)
Contributions by and distributions to owners								
– Issue of new shares	21	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)	–
Total changes in ownership interests in subsidiaries		–	–	–	42	42	(5)	37
Total transactions with owners in their capacity as owners		12,616	–	–	42	12,658	(5)	12,653
Closing balance at 31 May 2015		74,831	(848)	(14,021)	17,851	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 2015

2014 Group	**Note**	**Share capital $'000**	**Treasury shares $'000**	**Accumulated losses $'000**	**Other reserves $'000**	**Total equity attributable to owners of the Company $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Opening balance at 1 June 2013		62,215	(848)	(2,911)	15,769	74,225	3,688	77,913
Loss for the year		–	–	(5,915)	–	(5,915)	(1,215)	(7,130)
Other comprehensive income:								
– Fair value gain on available-for-sale investments		–	–	–	131	131	–	131
– Fair value transfer to profit or loss on disposal of available-for-sale investments		–	–	–	(19)	(19)	–	(19)
– Revaluation gain on property, plant and equipment		–	–	–	616	616	331	947
– Foreign currency translation		–	–	–	(111)	(111)	(19)	(130)
– Share of other comprehensive income of associates		–	–	–	(40)	(40)	–	(40)
Other comprehensive income for the year, net of tax		–	–	–	577	577	312	889
Total comprehensive income for the year		–	–	(5,915)	577	(5,338)	(903)	(6,241)
Contributions by and distributions to owners								
– Dividends paid by the Company	29	–	–	(1,374)	–	(1,374)	–	(1,374)
Total contributions by and distributions to owners		–	–	(1,374)	–	(1,374)	–	(1,374)
Changes in ownership interests in subsidiaries								
– Capital contribution from non-controlling interests that do not result in a loss of control		–	–	–	–	–	2,131	2,131
Total changes in ownership interests in subsidiaries		–	–	–	–	–	2,131	2,131
Total transactions with owners in their capacity as owners		–	–	(1,374)	–	(1,374)	2,131	757
Closing balance at 31 May 2014		62,215	(848)	(10,200)	16,346	67,513	4,916	72,429

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 2015

Company	**Note**	**Share capital $'000**	**Treasury shares $'000**	**Accumulated losses $'000**	**Other reserves $'000**	**Total equity $'000**
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	21	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
Opening balance at 1 June 2013		62,215	(848)	(6,299)	13	55,081
Loss for the year		–	–	(1,543)	–	(1,543)
Other comprehensive income:						
– Fair value gain on available-for-sale investments		–	–	–	131	131
– Fair value transfer to profit or loss on disposal of available-for-sale investments		–	–	–	(19)	(19)
Other comprehensive income for the year, net of tax		–	–	–	112	112
Total comprehensive income for the year		–	–	(1,543)	112	(1,431)
Contributions by and distributions to owners						
– Dividends paid by the Company	29	–	–	(1,374)	–	(1,374)
Total contributions by and distributions to owners		–	–	(1,374)	–	(1,374)
Closing balance at 31 May 2014		62,215	(848)	(9,216)	125	52,276

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 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities:			
Loss before tax		**(4,105)**	(6,876)
Adjustments for:			
Depreciation of property, plant and equipment	11	**7,915**	6,877
Amortisation of land use rights	12	**91**	75
Dividend income from available-for-sale investments	5	**(5)**	(5)
Gain on disposal of available-for-sale investments	5	**–**	(41)
Loss/(gain) on disposal of property, plant and equipment	8	**788**	(226)
Allowance for doubtful trade receivables	8	**237**	5
Bad debts written off	8	**23**	1
Impairment of available-for-sale investments	8	**199**	415
Interest expense	6	**1,780**	1,340
Interest income	5	**(38)**	(18)
Property, plant and equipment written off	8	**2**	–
Share of results of associates		**(7)**	(286)
Share of results of joint venture		**1**	1
Effect of exchange rate changes		**(141)**	(3)
Operating cash flows before changes in working capital		**6,740**	1,259
Changes in working capital:			
Increase in trade and other receivables		**(1,406)**	(4,534)
Increase in prepaid operating expenses		**(31)**	(51)
Increase in trade and other payables		**2,010**	897
(Decrease)/increase in other liabilities		**(1,104)**	796
Cash flows from/(used in) operations		**6,209**	(1,633)
Interest received		**38**	18
Income tax refunded, net		**9**	170
Net cash flows from/(used in) operating activities		**6,256**	(1,445)

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 2015

	Note	2015 $'000	2014 $'000
Cash flows from investing activities:			
Dividend income from available-for-sale investments		**5**	5
Net cash outflow on disposal of subsidiary	13	**(59)**	–
Net cash outflow on acquisition of an associate		**–**	(2,365)
Net cash outflow on investment in joint venture		**–**	(4,203)
Prepayments relating to acquisition of property, plant and equipment and land use rights		**–**	(3,493)
Proceeds from disposal of available-for-sale investments		**–**	83
Proceeds from disposal of property, plant and equipment		**2,845**	583
Purchase of property, plant and equipment and land use rights	11	**(3,325)**	(13,336)
Capital contribution from non-controlling interests		**–**	2,131
Net cash used in investing activities		**(534)**	(20,595)
Cash flows from financing activities:			
Proceeds from rights issue	21	**12,675**	–
Share issuance expense		**(59)**	–
Repayment of obligations under finance leases		**(2,841)**	(1,181)
Interest paid		**(1,759)**	(1,303)
Dividend paid	29	**–**	(1,374)
Proceeds from loans and borrowings		**3,500**	23,214
Repayment of loans and borrowings		**(4,271)**	(3,014)
Net cash generated from financing activities		**7,245**	16,342
Net increase/(decrease) in cash and cash equivalents		**12,967**	(5,698)
Cash and cash equivalents at 1 June		**5,210**	10,924
Effect of exchange rate changes on cash and cash equivalents		**265**	(16)
Cash and cash equivalents at 31 May	20	**18,442**	5,210

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 2015

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 14 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 2014. 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 2015

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 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(e) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(f) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 16 *Property, plant and Equipment*	1 January 2016
Amendments to FRS 38 *Intangible Assets*	1 January 2016
Amendments to FRS 41 *Agriculture*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 111 *Joint Arrangements*	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*	1 January 2016
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
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Except for FRS 115 Revenue from Contracts with Customers and FRS 109 Financial Instruments, 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 and FRS 109 are described below:

FRS 115 Revenue from Contracts with Customers

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. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 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.

FRS 109 Financial Instruments

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. 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 in the year of adoption.

The Group is currently assessing the impact of FRS 109 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(b) Business combinations

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.

When the Group acquires a business, it assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

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 accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

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

2.7 Property, plant and equipment

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

Leasehold 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Property, plant and equipment (cont'd)

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

Leasehold buildings and improvements	–	17 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 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Joint ventures and associates (cont'd)

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.

2.12 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 2.11.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 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.

(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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(ii) Available-for-sale financial assets (cont'd)

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.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Financial instruments (cont'd)

(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.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Impairment of financial assets (cont'd)

(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. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

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.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 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. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 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.

2.17 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 fair value 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 may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2.18 Transfer between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 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.

2.20 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.

2.21 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 Leases (cont'd)

As lessee (cont'd)

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 2.22(d). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Revenue (cont'd)

(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.

2.23 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 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.

2.25 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.

2.26 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

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 2015, the amount of impairment loss recognised for available-for-sale financial asset was $199,000 (2014: $415,000). The carrying amount of available-for-sale equity instruments as at 31 May 2015 was $509,000 (2014: $859,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

Taxes

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

The Group has tax losses carried forward amounting to $1,735,000 (2014: $465,000). These losses relate to subsidiary that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group, The subsidiary has neither temporary taxable differences nor any tax planning opportunities available that could support the recognition of any of these losses as deferred tax assets.

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $295,000 (2014: $79,000).

Fair value of leasehold buildings and improvements

The Group carries its leasehold 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 and 2014. 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 buildings and improvements are provided in Note 32. The carrying amounts of the leasehold buildings and improvement as at 31 May 2015 are $107,209,000 (2014: $111,905,000).

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

4. REVENUE

	Group	
	2015	**2014**
	$'000	**$'000**
Services rendered	**21,861**	18,671
Rental income	**14,339**	12,710
	36,200	31,381

5. OTHER INCOME

	Group	
	2015	**2014**
	$'000	**$'000**
Dividend income from available-for-sale investments	**5**	5
Gain on disposal of available-for-sale investments	**–**	41
Gain on disposal of property, plant and equipment	**–**	226
Grant received from government	**201**	192
Interest income	**38**	18
Net foreign exchange gain	**658**	–
Others	**62**	72
	964	554

6. FINANCE COSTS

	Group	
	2015	**2014**
	$'000	**$'000**
Interest expense on:		
– Bank loans	**1,644**	1,264
– Bank overdrafts	**17**	7
– Obligations under finance leases	**98**	109
– Loan from non-controlling interests	**21**	20
	1,780	1,400
Less: Interest capitalised in property, plant and equipment (Note 11)	**–**	(60)
Total finance costs	**1,780**	1,340

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

7. OTHER EXPENSES

The following items have been included in arriving at other expenses:

	Group	
	2015	2014
	$'000	$'000
Net foreign exchange loss	–	(133)

8. LOSS BEFORE TAX

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

	Group	
	2015	2014
	$'000	$'000
Audit fees paid to:		
– Auditors of the Company	151	150
– Other auditors	19	9
Non-audit fees paid to auditors of the Company		
– Auditors of the Company	24	24
– Other auditors	93	57
Amortisation of land use rights	91	75
Allowance for doubtful trade receivables	237	5
Bad debts written off	23	1
Depreciation of property, plant and equipment	7,915	6,877
Impairment of available-for-sale investments	199	415
Employee benefits expense (including directors)		
– Salaries and related cost	12,061	11,700
– Contribution to defined contribution plans	931	922
Property, plant and equipment written off	2	–
Loss/(gain) on disposal of property, plant and equipment	788	(226)

Employee benefits expenses are inclusive of directors and key management personnel remuneration as set out in Note 36(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

9. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 May 2015 and 2014 are:

	Group	
	2015	**2014**
	$'000	**$'000**
Consolidated income statement:		
Current income tax:		
– Current income taxation	**692**	129
– (Over)/under provision in respect of previous years	**(98)**	131
	594	260
Deferred income tax:		
– Origination and reversal of temporary differences	**(20)**	(90)
– Under provision in respect of previous years	**4**	84
	(16)	(6)
Income tax expense recognised in profit or loss	**578**	254

	Group	
	2015	**2014**
	$'000	**$'000**
Statement of comprehensive income:		
Deferred tax expense related to other comprehensive income:		
– Net (loss)/gain on fair value of available-for-sale investments	**(26)**	27
– Revaluation gain on property, plant and equipment	**–**	316
– Others	**26**	(5)
	–	338

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

9. INCOME TAX EXPENSE (cont'd)

(b) Relationship between tax expense and accounting loss

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 May 2015 and 2014 is as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Accounting loss before tax	**(4,105)**	(6,876)
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(1,096)**	(1,252)
Adjustments:		
Non-deductible expenses	**2,131**	1,869
Income not subject to taxation	**(393)**	(66)
Effect of tax incentives	**(122)**	(493)
Current year losses for which no deferred tax asset is recognised	**216**	79
(Over)/under provision in respect of prior years current income tax	**(98)**	131
Under provision in respect of prior years deferred income tax	**4**	84
Share of results of associates	**1**	(49)
Singapore statutory stepped income exemption	**(77)**	(51)
Others	**12**	2
Income tax expense recognised in profit or loss	**578**	254

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 2015

10. LOSS PER SHARE

	Group	
	2015	2014
	$'000	$'000
Net loss attributable to owners of the Company used in the computation of basic and diluted earnings per share	(3,821)	(5,915)
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	489,363	470,159

The basic and diluted loss per share are calculated by dividing the 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.

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 during the year.

The prior year weighted average number of shares had taken into account the bonus element in the rights issue to existing shareholders during the year.

11. PROPERTY, PLANT AND EQUIPMENT

	At valuation	At cost					
Group	**Leasehold buildings and improvements $'000**	**Furniture, fittings and office equipment $'000**	**Motor vehicles, trailers and forklifts $'000**	**Warehouse equipment $'000**	**Cranes and cranes equipment $'000**	**Assets under construction $'000**	**Total $'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 2015

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	At valuation	At cost						
	Leasehold buildings and improvements	Plant and machineries	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	$'000
Cost or valuation:								
At 1 June 2013	42,302	47	1,492	9,237	1,090	3,965	5,658	63,791
Additions	59,661	-	299	1,818	973	20	8,173	70,944
Disposals	-	-	-	(270)	(1)	(160)	-	(431)
Reclassification	13,856	(47)	-	-	47	-	(13,856)	-
Revaluation surplus	1,263	-	-	-	-	-	-	1,263
Elimination of accumulated depreciation on revaluation	(120)	-	-	-	-	-	-	(120)
Exchange differences	(129)	-	(2)	(2)	-	-	25	(108)
At 31 May 2014	116,833	-	1,789	10,783	2,109	3,825	-	135,339
Accumulated depreciation and impairment loss:								
At 1 June 2013	-	11	977	5,612	758	33	-	7,391
Depreciation charge for the year	5,048	-	270	1,034	329	196	-	6,877
Disposals	-	-	-	(62)	(1)	(11)	-	(74)
Reclassification	-	(11)	-	-	11	-	-	-
Elimination of accumulated depreciation on revaluation	(120)	-	-	-	-	-	-	(120)
Exchange differences	-	-	(1)	(1)	-	-	-	(2)
At 31 May 2014	4,928	-	1,246	6,583	1,097	218	-	14,072
Net carrying amount:								
At 31 May 2014	111,905	-	543	4,200	1,012	3,607	-	121,267

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	**Furniture, fittings and office equipment $'000**	**Motor vehicles $'000**	**Total $'000**
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
Cost:			
At 1 June 2013	105	910	1,015
Additions	61	–	61
At 31 May 2014	166	910	1,076
Accumulated depreciation:			
At 1 June 2013	95	735	830
Depreciation charge for the year	14	63	77
At 31 May 2014	109	798	907
Net carrying amount:			
At 31 May 2014	57	112	169

Capitalisation of borrowing costs

The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of a plant and equipment. During the financial year, the borrowing costs capitalised as cost of plant and equipment amounted to $Nil (2014: $60,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was $Nil (2014:7.68%), which was the effective interest rate of the specific borrowing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Revaluation of leasehold buildings and improvements

The Group's leasehold properties as at 31 May 2015 comprise the following:

Location	Title	Description
No. 30 Pioneer Road Singapore 628502	Leasehold 30 years from 16 February 2007	4-storey single-user warehouse building with a 7-storey ancillary office building
No. 1 Jalan Besut Singapore 619554	Leasehold 25 years from 11 August 1994	3 single-storey detached warehouse building and an open-sided shed
No. 6 Pioneer Walk Singapore 627751	Leasehold 30 years from 1 May 2006	2-storey ramp-up warehouse building with 4-storey ancillary office building
No. 39 Benoi Road Singapore 627725	Leasehold 30 years from 1 March 2001	Single-storey warehouse and a single-storey detached factory with mezzanine office
No. 338 Yesheng Road Yangshan Free Trade Port Area, Pudong District, Shanghai. The People's Republic of China	Leasehold 50 years from 9 November 2011	3-storey warehouse building with a 2-storey ancillary office building

The Group engaged Knight Frank Pte. Ltd., an independent valuer incorporated in Singapore to determine the fair value of the leasehold buildings located at No. 30 Pioneer Road, No. 1 Jalan Besut, No. 6 Pioneer Walk and No. 39 Benoi Road as at 31 May 2015. Fair value was determined by reference to market based evidence. Details of valuation techniques and inputs used are disclosed in Note 32.

The Group engaged Knight Frank (Shanghai) Property Consultants Co Ltd., an independent valuer incorporated in Shanghai, China to determine the fair value of the leasehold buildings located at No. 338 Yesheng Road, Yangshan Free Trade Port Area, Pudong District, Shanghai as at 31 May 2015. Fair value is determined by reference to market based evidence. Details of valuation techniques and inputs used are disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

11. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Revaluation of leasehold buildings and improvements (cont'd)

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

	Group	
	2015	**2014**
	$'000	**$'000**
Leasehold buildings and improvements at 31 May:		
Cost	**102,798**	102,721
Accumulated depreciation	**(13,027)**	(8,230)
Net carrying amount	**89,771**	94,491

Assets held under finance leases

During the financial year, the Group acquired motor vehicles, trailers and forklifts with an aggregate cost of $1,061,000 (2014: $1,189,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to $3,325,000 (2014: $13,336,000).

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 $2,604,000 (2014: $4,850,000).

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 buildings and improvements with a carrying amount of $107,209,000 (2014: $111,905,000) are mortgaged to secure the Group's bank loans (Note 24).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

12. LAND USE RIGHTS

	Group	
	2015	2014
	$'000	$'000
Cost:		
At 1 June	**3,666**	3,684
Exchange differences	**358**	(18)
Additions (Note 19)	**1,632**	–
At 31 May	**5,656**	3,666
Accumulated amortisation:		
At 1 June	**160**	87
Charge for the year	**91**	75
Exchange differences	**16**	(2)
At 31 May	**267**	160
Net carrying amount:		
At 31 May	**5,389**	3,506
Amount to be amortised:		
– Not later than one year	**114**	75
– Later than one year but not later than five years	**454**	300
– Later than five years	**4,821**	3,131

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 47 years (2014: 48 years).

During the year, the Group acquired land use rights over a plot of state-owned land in Wuzhou, People's Republic of China ("PRC") where the Group is currently constructing a ready-mix plant. The land use rights are transferable and have a remaining tenure of 50 years (2014: Nil).

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

13. DISPOSAL OF SUBSIDIARY

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 is in net liabilities position of S$91,482.

Balance sheet disclosures

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

	Group 2015 $'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 are not material to the Group on the whole; these disclosures are thus not presented.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	**2014**
	$'000	**$'000**
Shares, at cost		
At 1 June	**52,666**	44,512
Increase in investment	**–**	8,154
At 31 May	**52,666**	52,666
Less: Impairment losses	**(6,668)**	(2,478)
	45,998	50,188

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

At 1 June	**2,478**	1,603
Allowance for the year	**4,190**	875
At 31 May	**6,668**	2,478

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective percentage of equity held by Group 2015 %	Effective percentage of equity held by Group 2014 %
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

14. 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 2015 %	2014 %
Held by the Company (cont'd)			
Van der Horst Logistics Limited[iii] (British Virgin Islands)	Investment holding	**65**	65
GKE & Mohseng Pte. Ltd.[i] (Singapore)	Provision of crane services for loading and unloading of cargo	**100**	60
GKE Holdings (HK) Co., Ltd.[v] (Hong Kong)	Investment holding	**100**	100
GKE Shipping Co., Ltd.[ii] (Hong Kong)	Investment holding	**100**	100
GKE China Investment Pte. Ltd.[i] (Singapore)	Investment holding	**65**	65
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			
GKE Air Logistics Pte. Ltd.[i] (Singapore)	Provision of freight forwarding and transportation services	**–**	60
PT GKE Investment[iii] (Indonesia)	Investment holding	**100**	100

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

14. 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 2015 %	2014 %
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[v] (Hong Kong)	Investment holding	**100**	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.

(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, GKE & Mohseng Pte Ltd and GKE China Investment Pte Ltd as these subsidiaries had been persistently making losses. Consequently, the Company recorded an impairment loss of $4,190,000 (2014: $875,000) 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 and the forecasted growth rate used to extrapolate cash flow projections beyond five-year period range from 10% to 12% (2014: 10% to 12%).

GKE & Mohseng Pte Ltd had ceased operations during the year, management had determined the recoverable amounts to be $Nil (2014:$809,000).

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14. INVESTMENTS IN SUBSIDIARIES (cont'd)

(b) Interest in subsidiary with material non-controlling interest (NCI)

The Group has the following subsidiary that has NCI that is 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 2015:					
Van der Horst (Shanghai) Logistics Co., Ltd.	People's Republic of China	35%	97	4,051	–
31 May 2014:					
Van der Horst (Shanghai) Logistics Co., Ltd.	People's Republic of China	35%	(95)	3,650	–

Summarised financial information about subsidiary with material NCI

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

14. INVESTMENTS IN SUBSIDIARIES (cont'd)

(b) Interest in subsidiary with material non-controlling interest (NCI) (cont'd)

Summarised balance sheet

	Van der Horst (Shanghai) Logistics Co., Ltd	
	As at May 2015 $'000	**As at May 2014 $'000**
Current		
Assets	**551**	358
Liabilities	**(2,142)**	(1,682)
Net current liabilities	**(1,591)**	(1,324)
Non-current		
Assets	**19,537**	18,438
Liabilities	**(6,373)**	(6,687)
Net non-current assets	**13,164**	11,751
Net assets	**11,573**	10,427

Summarised statement of comprehensive income

	Van der Horst (Shanghai) Logistics Co., Ltd	
	2015 $'000	**2014 $'000**
Revenue	**1,336**	486
Profit/(loss) before income tax expense	**279**	(267)
Income tax expense	**–**	(5)
Profit/(loss) after tax	**279**	(272)
Other comprehensive income	**867**	891
Total comprehensive income	**1,146**	619

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

14. INVESTMENTS IN SUBSIDIARIES (cont'd)

(b) Interest in subsidiary with material non-controlling interest (NCI) (cont'd)

Other summarised information

	Van der Horst (Shanghai) Logistics Co., Ltd 2015 $'000	Van der Horst (Shanghai) Logistics Co., Ltd 2014 $'000
Net cash flows from operations	**709**	2,080
Acquisition of significant property, plant and equipment	**–**	(8,325)

Significant restrictions:

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of the subsidiary with material non-controlling interest.

(c) Acquisition of ownership interest in subsidiary, without change in control

On 28 April 2015, the Company acquired an additional 40% equity interest in GKE & Mohseng Pte Ltd ("GKEMS") from its non-controlling interests for a cash consideration of $1. As a result of this acquisition, GKEMS became a wholly-owned subsidiary of GKE Corporation Ltd. The share of the net assets of GKEMS on the date of acquisition was $42,000 and the gain on acquisition is $42,000. The gain on acquisition is recognised as "Acquisition of non-controlling interests without a change in control" within equity.

The following summarises the effect of the change in the Group's ownership interest in GKEMS on the equity attributable to owners of the Company:

	$'000
Consideration paid for acquisition of non-controlling interests	–
Decrease in equity attributable to non-controlling interests	42
Increase in equity attributable to owners of the Company	42

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

15. INVESTMENTS IN ASSOCIATES

The Group's material investments in associates are summarised below:

	2015 $'000	2014 $'000
GKE Metal Logistics Pte Ltd and its subsidiaries	**7,692**	7,546
Maoming City Hung Ji Construction Materials Co., Ltd	**2,138**	1,967
	9,830	9,513

Name of associates (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest 2015 %	2014 %
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**	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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

15. 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 2015 $'000	**As at May 2014 $'000**	**As at May 2015 $'000**	**As at May 2014 $'000**
Current assets	**6,696**	9,147	**1,182**	586
Intangible assets	**2,627**	2,627	**1,353**	1,339
Goodwill	**2,541**	2,541	**–**	–
Non-current assets	**331**	363	**4,952**	5,146
Total assets	**12,195**	14,678	**7,487**	7,071
Current liabilities	**118**	2,688	**4,171**	4,163
Total liabilities	**118**	2,688	**4,171**	4,163
Net assets excluding goodwill and intangible assets	**6,909**	6,822	**1,963**	1,569
Less: non-controlling interest	**(1,564)**	(1,786)	**–**	–
Adjusted net assets	**5,345**	5,036	**1,963**	1,569
Proportion of the Group's ownership	**49%**	49%	**40%**	40%
Group's share of net assets	**2,619**	2,468	**785**	628
Fair value adjustment on loss of control of a subsidiary*				
Goodwill	**2,627**	2,627	**–**	–
Intangible with indefinite useful life	**2,541**	2,541	**–**	**–**
Intangible with definite useful life	**–**	–	**1,353**	**1,339**
Deferred tax on undistributed earnings	**(95)**	(90)	**–**	–
Carrying amount of the investment	**7,692**	7,546	**2,138**	1,967

* 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 2015

15. 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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	**14,847**	22,242	**3,779**	2,237
Profit/(loss) after tax from continuing operations	**31**	2,274	**(12)**	(961)
Other comprehensive income	**421**	(69)	**406**	(35)
Total comprehensive income	**452**	2,205	**394**	(996)

16. INVESTMENT IN JOINT VENTURE

The Group has 50% (2014: 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's commitments in respect of its interest in Steadfast are disclosed in Note 30.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

16. INVESTMENT IN JOINT VENTURE (cont'd)

Summarised balance sheet

	Group	
	2015	**2014**
	$'000	**$'000**
Current assets	**–**	–
Non-current assets	**9,026**	8,406
Total assets	**9,026**	8,406
Current liabilities	**4**	2
Non-current liabilities	**–**	–
Total liabilities	**4**	2
Net assets	**9,022**	8,404
Net assets excluding goodwill	**9,022**	8,404
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**4,511**	4,202
Carrying amount of the investment	**4,511**	4,202

Summarised statement of comprehensive income

	Group	
	2015	**2014**
	$'000	**$'000**
Revenue	**–**	–
Operating expenses	**(1)**	(1)
Loss before tax	**(1)**	(1)
Income tax expense	**–**	–
Loss after tax	**(1)**	(1)
Other comprehensive income	**–**	–
Total comprehensive income	**(1)**	(1)

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FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group and Company	
	2015	**2014**
	$'000	**$'000**
Quoted equity shares, at fair value		
At 1 June	**859**	1,181
Fair value adjustment	**(151)**	158
Impairment losses	**(199)**	(415)
Disposals	**–**	(65)
At 31 May	**509**	859

During the financial year, the Group recognised impairment loss of $199,000 (2014: $415,000) for quoted equity shares as there were "significant" or "prolonged" decline in the fair value of these investments below their costs. The Group treats "significant" generally as 30% and "prolonged" as greater than 12 months.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other receivables (current):				
Trade receivables	**5,388**	5,133	**–**	–
Amounts due from associate				
– Trade	**254**	399	**–**	–
– Non-trade	**5**	7	**3**	7
Amounts due from a related party				
– Trade	**–**	28	**–**	–
SGD loan to subsidiaries	**–**	–	**142**	435
Amounts due from subsidiaries	**–**	–	**8,728**	5,215
Staff advances	**6**	18	**1**	5
Refundable deposits	**348**	416	**21**	–
GST recoverable	**–**	46	**–**	–
Deposits for purchase of property, plant and equipment	**4,728**	4,404	**–**	–
Other receivables	**1,299**	220	**112**	43
	12,028	10,671	**9,007**	5,705
Other receivables (non-current):				
SGD loan to subsidiaries	**–**	–	**7,159**	8,753
Total trade and other receivables (current and non-current)	**12,028**	10,671	**16,166**	14,458
Add: Cash and at banks and on hand (Note 20)	**18,442**	5,256	**12,672**	330
Total loans and receivables	**30,470**	15,927	**28,838**	14,788

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

18. 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	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
United States Dollar	**861**	704	**–**	–

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 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. The loan is to be settled in cash.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

18. TRADE AND OTHER RECEIVABLES (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $2,916,000 (2014: $2,647,000) 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	
	2015	**2014**
	$'000	**$'000**
Trade receivables past due but not impaired:		
Less than 30 days	**1,610**	1,725
31 – 60 days	**950**	627
61 – 90 days	**178**	155
More than 90 days	**178**	140
	2,916	2,647

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	
	2015	**2014**
	$'000	**$'000**
Trade receivables – nominal amounts	**258**	26
Less: Allowance for impairment	**(258)**	(26)
	–	–
Movements in allowance account:		
At 1 June	**26**	28
Allowance made (Note 8)	**237**	5
Written off	**(5)**	(7)
At 31 May	**258**	26

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

19. PREPAYMENTS

	Group	
	2015	**2014**
	$'000	**$'000**
Prepayments relating to acquisition of land use rights	**–**	2,081
	–	2,081

During the year, the Group acquired the land use rights over a plot of state-owned land in WuZhou City, Guangxi Zhuang Autonomous Region, People's Republic of China. Consequently, $1,632,000 (2014: $Nil) of prepayment relating to the acquisition of land use rights was reflected as an addition to Land use rights in Note 12 of the financial statements. The remaining $449,000 (2014: $Nil) will be refunded by the authority and was reflected as other receivables to Note 18 of the financial statements.

20. CASH AT BANKS AND ON HAND

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks and on hand	**18,442**	5,256	**12,672**	330

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

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**1,339**	457	**–**	–

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

	Group	
	2015	**2014**
	$'000	**$'000**
Cash at banks and on hand	**18,442**	5,256
Bank overdrafts (Note 24)	**–**	(46)
	18,442	5,210

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

21. SHARE CAPITAL

	Group and Company			
	2015		2014	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At beginning of financial year	**463,364**	**62,215**	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**	463,364	62,215

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 has raised $12.6 million after offsetting related expenses.

22. TREASURY SHARES

	Group and Company			
	2015		2014	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 June	**(5,417)**	**(848)**	(5,417)	(848)
Acquired during the financial year	**–**	**–**	–	–
At 31 May	**(5,417)**	**(848)**	(5,417)	(848)

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

23. OTHER RESERVES

Other reserves comprise the following:

		Group		Company	
	Note	**2015**	**2014**	**2015**	**2014**
		$'000	**$'000**	**$'000**	**$'000**
Foreign currency translation reserve	(i)	**1,886**	349	**–**	–
Revaluation reserve	(ii)	**15,923**	15,872	**–**	–
Fair value reserve	(iii)	**–**	125	**–**	125
Other reserves	(iv)	**42**	–	**–**	–
		17,851	16,346	**–**	125

Movements in other reserves are as follow:

(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 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 without a change in control.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

24. BORROWINGS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Bank loan (secured)	**8,219**	4,445	**4,576**	1,042
Bank overdrafts (secured)	**–**	46	**–**	–
	8,219	4,491	**4,576**	1,042
Non-current:				
Bank loan (secured)	**61,155**	65,170	**17,595**	18,667
Total borrowings	**69,374**	69,661	**22,171**	19,709

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

(i) Bank overdrafts

Bank overdrafts were denominated in SGD bore interest at bank's prime lending rate prevailing from time to time. The bank's prime lending rate was at 5.00% per annum. The bank overdrafts were secured by legal mortgage of the leasehold buildings and improvements of the subsidiary and corporate guarantee from the Company.

(ii) Money Market Loan

The Money Market Loan ("MML") of $3,500,000 (2014: $Nil) bore interest at 3.0% ($Nil) per annum and matured on 3 June 2015. The MML is secured by legal mortgage of the leasehold buildings and improvements of the subsidiary, corporate guarantee from subsidiary and corporate guarantee from the Company.

(iii) 5-year RMB bank term loan

The 5-year term loan of RMB5,067,000 ($1,114,000) (2014: RMB5,067,000 ($1,030,000)) 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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

24. BORROWINGS (cont'd)

(iv) 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 is secured by second legal mortgage of the leasehold buildings and improvements of the subsidiary and corporate guarantee from a subsidiary.

(v) 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 is secured by second legal mortgage of the leasehold buildings and improvements of the subsidiary and corporate guarantee from a subsidiary.

(vi) 18-year SGD commercial property loan

The 18-year SGD commercial property loan of $24,498,000 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 buildings and improvements of the subsidiary and corporate guarantee from the Company and a subsidiary.

(vii) 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 buildings and improvements of the subsidiary and corporate guarantee from the Company.

(viii) 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 buildings and improvements of the subsidiary and corporate guarantee from a subsidiary.

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

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

25. DEFERRED TAX

Deferred tax as at 31 May relates to the followings:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities:				
Tax effect of temporary differences in excess of capital allowances	**1,308**	1,324	**10**	10
Fair value gain on available-for-sale investments	**–**	26	**–**	26
Revaluation gain on property, plant and equipment	**3,424**	3,424	**–**	–
Others	**16**	(10)	**–**	–
	4,748	4,764	**10**	36
At 1 June	**4,764**	4,432	**36**	26
Tax (credited)/charged to profit or loss				
– Current year (Note 9(a))	**(20)**	(90)	**–**	8
– Prior years (Note 9(a))	**4**	84	**–**	(20)
Tax charged to equity				
– Revaluation reserve	**–**	316	**–**	–
– Fair value reserve	**(26)**	27	**(26)**	27
– Others	**26**	(5)	**–**	(5)
At 31 May	**4,748**	4,764	**10**	36

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $1,735,000 (2014: $465,000) 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 (2014: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 29).

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other payables (current):				
Trade payables	**1,278**	1,497	**–**	–
Other payables	**2,065**	815	**202**	38
Amount due to a related party				
– Trade	**–**	28	**–**	–
Amounts due to subsidiaries	**–**	–	**201**	32
Amount due to associate	**3**	–	**–**	–
Loan from non-controlling interests	**650**	–	**–**	–
	3,996	2,340	**403**	70
Other payables (non-current):				
Loan from non-controlling interests	**365**	337	**–**	–
Total trade and other payables	**4,361**	2,677	**403**	70
Add: Borrowings (Note 24)	**69,374**	69,661	**22,171**	19,709
Finance lease liabilities (Note 28)	**1,692**	3,472	**–**	–
Other liabilities (Note 27)	**2,949**	4,084	**763**	566
Less: Accrual for unutilised leave	**(92)**	(97)	**(26)**	(27)
Total financial liabilities carried at amortised cost	**78,284**	79,797	**23,311**	20,318

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

26. TRADE AND OTHER PAYABLES (cont'd)

Trade payables/other payables

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

Included in other payables are amounts payable in respect of legal fees and tribunal fees net of liquidated damages receivable (Note 37b).

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

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
United States Dollars	**120**	138	**–**	–

Amounts due to related parties

The trade amount due to a related party is unsecured, non-interest bearing and repayment is based on payment terms and conditions agreed.

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 repayment is based on payment terms and conditions agreed.

Loan from non-controlling interests is unsecured, interest bearing at 6% (2014: 6%) per annum and repayment is based on payment terms and conditions agreed. The loan will be fully repaid by July 2017. The loan is denominated in Renminbi.

27. OTHER LIABILITIES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Accrued operating expenses	**2,587**	3,802	**761**	565
Deposits received	**362**	282	**2**	1
	2,949	4,084	**763**	566

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

28. FINANCE LEASE LIABILITIES

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

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

	Group			
	2015		2014	
	Minimum lease payments $'000	Present value of payments $'000	Minimum lease payments $'000	Present value of payments $'000
Not later than one year	**829**	**741**	1,132	1,047
Later than one year but not later than five years	**1,027**	**951**	2,540	2,425
Total minimum lease payments	**1,856**	**1,692**	3,672	3,472
Less: Amounts representing finance charges	**(164)**	**–**	(200)	–
Present value of minimum lease payments	**1,692**	**1,692**	3,472	3,472

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 rate for finance leases range from 1.68% to 2.2% (2014: 1.4% 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	
	2015 $'000	2014 $'000
Current liabilities	**1,097**	3,472
Non-current liabilities	**595**	–
	1,692	3,472

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

29. DIVIDEND

	Group	
	2015	**2014**
	$'000	**$'000**
Declared and paid during the financial year		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2014:		
Nil (2013: 0.3 cent) per ordinary share	**–**	1,374

30. COMMITMENTS

(a) Capital commitments

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

	Group	
	2015	**2014**
	$'000	**$'000**
Capital commitments in respect of leasehold properties	**–**	10,267
Capital commitments in respect of construction of a ready-mix plant	**2,240**	–
Capital commitments in respect of property, plant and equipment	**2,673**	–
Share of joint venture's capital commitments in relation to property, plant and equipment	**40,615**	37,829

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

30. COMMITMENTS (cont'd)

(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. 30 Pioneer Road, No. 6 Pioneer Walk and No. 39 Benoi Road. The leases from Jurong Town Corporation are for 25, 30, 22 and 17 years respectively.

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

Minimum lease payments, including amortisation of land use rights recognised as an expense in profit or loss for the financial year ended 31 May 2015 amounted to $3,013,000 (2014: $2,894,000).

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

	Group	
	2015	**2014**
	$'000	**$'000**
Not later than one year	**2,902**	3,193
Later than one year but not later than five years	**9,303**	10,145
Later than five years	**45,426**	53,360
	57,631	66,698

(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. 30 Pioneer Road, No. 6 Pioneer Walk and No. 39 Benoi Road in Singapore, and No. 338 Yesheng Road in Shanghai, People's Republic of China. These non-cancellable leases have remaining lease terms of between 1 month and 9 years.

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

	Group	
	2015	**2014**
	$'000	**$'000**
Not later than one year	**3,014**	2,340
Later than one year but not later than five years	**9,204**	4,227
Later than five years	**4,622**	4,444
	16,840	11,011

NOTES TO THE FINANCIAL STATEMENTS

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31. CONTINGENCIES

On 2 June 2014, China's northeastern port of Qingdao halted shipments of aluminium and copper due to an investigation by the Chinese authorities regarding recently discovered unusual activity concerning metals stored in warehouses located in Qingdao. From the limited information presently available and press reports, there appears to be an overlap of warehouse receipts issued by the Chinese warehouse operators for the same cargo, causing concern among financial institutions that are financing metals trade and trading companies.

The Group's 49% owned associate, GKE Metal Logistics Pte Ltd, holds 65% in GKE (Shanghai) Metal Logistics Co., Ltd. The latter has customers which have cargo stored in Qingdao port. Neither GKE (Shanghai) Metal Logistics Co., Ltd's management nor its employees are involved in the current investigation.

On the basis of the above, no provisions are made in the financial statements for any possible claims resulting from this current investigation.

32. 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;

(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.

NOTES TO THE FINANCIAL STATEMENTS

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32. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

(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 2015 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	509	–	–	509
Non-financial assets				
Property, plant and equipment				
– Leasehold 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

32. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

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

	2014 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	859	–	–	859
Non-financial assets				
Property, plant and equipment				
– Leasehold buildings and improvements	–	–	14,672[1]	14,672[1]

[1] The Group engaged an independent external valuer to determine the fair value of the leasehold buildings and improvements located at No. 338 Yesheng Road, Yangshan Free Trade Port Area, Pudong District, Shanghai, after the construction of the leasehold building was completed. Fair value is determined by reference to market based evidence. The date of the valuation was 31 May 2014. For the remaining properties in Singapore located at No. 30 Pioneer Road, No. 1 Jalan Besut, No. 6 Pioneer Walk, and No. 39 Benoi Road, no valuation was performed on 31 May 2014 because the carrying amounts of the leasehold buildings and improvements approximate the market values.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

32. 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 2015 $'000	Valuation Techniques	Key unobservable Inputs	Range
Recurring fair value measurements				
Leasehold buildings and improvements	109,739	Capitalisation approach	Market rent per square metre per day	RMB 1.20
		Comparative method	Adjusted gross floor area price per square feet[1]	$54 – $207

[1] Adjustments are made for any difference in the location, gross floor area, land area, remaining lease period and condition of the specific property.

Description	Fair Value at 31 May 2014 $'000	Valuation Techniques	Key unobservable Inputs	Range
Recurring fair value measurements				
Leasehold buildings and improvements	14,672	Capitalisation approach	Market rent per square metre per day	RMB 1.05
		Cost approach	Unit construction cost per square metre	RMB 2,170

For leasehold 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

32. 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

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

	Group	
	2015	**2014**
	$'000	**$'000**
	Fair value measurements using significant unobservable inputs (Level 3)	
	Leasehold buildings and improvements	
Opening balance	**111,905**	42,302
Additions	**133**	59,661
Transfer from asset under construction[i]	**–**	13,856
Fair value uplift on revaluation[ii]	**–**	1,263
Depreciation	**(6,037)**	(5,048)
Exchange differences	**1,208**	(129)
Closing balance	**107,209**	111,905

(i) Relates to transfer from asset under construction to leasehold buildings and improvements upon the completion of the construction for the Yangshan warehouse.

(ii) Relates to the fair value uplift due to revaluation performed for the Yangshan warehouse.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

32. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

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

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

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

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

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

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

(d) 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 2015 but for which fair value is disclosed:

	Group 2015 $'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
Liabilities					
Loan from non-controlling interests (Note 26)	–	364	–	364	365

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

32. 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)

	Group 2014 $'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
Liabilities					
Loan from non-controlling interests (Note 26)	–	334	–	334	337

	Company 2015 $'000				
Assets					
Fixed rate loan to subsidiary	–	**582**	–	**582**	**586**

	Company 2014 $'000				
Assets					
Fixed rate loan to subsidiary	–	545	–	545	586

Determination of fair value

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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

32. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

(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 bank balances, 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. 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.

33. 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 agrees 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

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

– in respect of the corporate guarantees issued by the Company to banks for banking facilities utilised by certain subsidiaries amounting to $57,019,000 (2014: $58,641,000), the Company does not expect to incur any liability.

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 18 (Trade and other receivables).

(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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less $'000	One to five years $'000	Total $'000
Group			
2015			
Financial assets:			
Trade and other receivables	12,028	–	12,028
Cash at banks and on hand	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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (cont'd)

	One year or less $'000	One to five years $'000	Total $'000
Group			
2014			
Financial assets:			
Trade and other receivables	10,671	–	10,671
Cash at banks and on hand	5,256	–	5,256
Total undiscounted financial assets	15,927	–	15,927
Financial liabilities:			
Borrowings	5,933	72,870	78,803
Loan from non-controlling interests	–	403	403
Trade and other payables	2,340	–	2,340
Other liabilities	3,987	–	3,987
Finance lease liabilities	1,132	2,540	3,672
Total undiscounted financial liabilities	13,392	75,813	89,205
Total net undiscounted financial assets/(liabilities)	2,535	(75,813)	(73,278)

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

33. 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			
2015			
Financial assets:			
Trade and other receivables	**9,007**	**7,159**	**16,166**
Cash at banks and on hand	**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**
2014			
Financial assets:			
Trade and other receivables	5,875	10,006	15,881
Cash at banks and on hand	330	–	330
Total undiscounted financial assets	6,205	10,006	16,211
Financial liabilities:			
Borrowings	1,431	21,025	22,456
Trade and other payables	70	–	70
Other liabilities	539	–	539
Total undiscounted financial liabilities	2,040	21,025	23,065
Total net undiscounted financial assets/(liabilities)	4,165	(11,019)	(6,854)

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

33. 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.

	2015 $'000				2014 $'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	**4,924**	**27,823**	**16,322**	**49,069**	6,945	28,628	18,049	53,622

(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, which are not significant to the Group.

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.

(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.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 75 (2014: 75) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $430,000 (2014: $524,000) 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% (2014: 5%) higher or lower with all other variables held constant, the Group fair value adjustments reserve in equity/other comprehensive income would have been $21,000 (2014: $36,000) higher or lower, arising as a result of an increase or decrease in the fair value of equity instruments classified as available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

34. 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 2015 and 31 May 2014.

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. The Company and these subsidiaries are required to maintain certain leverage ratios and shareholders' funds. These externally imposed capital requirements have been complied with by the Company and the subsidiaries for the financial years ended 31 May 2015 and 31 May 2014.

The Group monitors the capital using a gearing ratio, which is debt divided by total equity plus debt.

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Debt	**71,431**	73,470	**22,171**	19,709
Total equity	**82,139**	72,429	**58,652**	52,276
Total equity and debt	**153,570**	145,899	**80,823**	71,985
Gearing ratio	**46.5%**	50.4%	**27.4%**	27.4%

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

35. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

35. 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:						
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

35. SEGMENT INFORMATION (cont'd)

	Investment holding $'000	Third party logistics $'000	Shipping logistics $'000	Infrastructural logistics $'000	Eliminations $'000	Total $'000
31 May 2014						
Revenue						
– External customers	–	31,381	–	–	–	31,381
– Inter-segment [1]	–	356	–	–	(356)	–
Total revenue	–	31,737	–	–	(356)	31,381
Results:	215	1,622	(12)	(604)	41	1,262
Depreciation and amortisation	(77)	(6,861)	–	(14)	–	(6,952)
Allowance for doubtful trade receivables	–	(5)	–	–	–	(5)
Bad debts written off	–	(1)	–	–	–	(1)
Impairment of investments in subsidiaries	(875)	–	–	–	875	–
Impairment of available-for-sale investments	(415)	–	–	–	–	(415)
Gain on disposal of property, plant and equipment	–	226	–	–	–	226
Gain on disposal of available-for-sale investments	41	–	–	–	–	41
Share of results of associates	–	670	–	(384)	–	286
Share of results of joint venture	–	–	(1)	–	–	(1)
Dividend income	5	–	–	–	–	5
Interest income	1	6	–	11	–	18
Finance costs	(336)	(1,183)	–	–	179	(1,340)
Segment loss	(1,441)	(5,526)	(13)	(991)	1,095	(6,876)
Tax expense						(254)
Loss for the year						(7,130)
Assets:						
Investments in associates	6,616	931	–	1,966	–	9,513
Additions to non-current assets [2]	61	70,807	–	2,157	–	73,025
Segment assets [3]	72,657	137,831	4,217	6,836	(63,840)	157,701
Segment liabilities [3]	20,343	74,086	26	22	(14,583)	79,894
Unallocated liabilities:						
Tax payable						614
Deferred tax liabilities						4,764
Total liabilities						85,272

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

35. 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]	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**34,864**	30,892	**96,242**	106,434
People's Republic of China	**1,336**	486	**24,569**	20,417
Indonesia	**–**	3	**–**	3
	36,200	31,381	**120,811**	126,854

[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 2015 and 2014.

36. 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	
	2015	**2014**
	$'000	**$'000**
Lease of warehouse space to an associate	**1,336**	486

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

36. RELATED PARTY TRANSACTIONS (cont'd)

(b) Key management compensation

	Group	
	2015 $'000	2014 $'000
Directors of the Company		
– Salaries, fees and benefits-in-kind	**1,412**	1,155
– Contribution to defined contribution plans	**46**	43
Directors of subsidiaries		
– Salaries, fees and benefits-in-kind	**663**	599
– Contribution to defined contribution plans	**35**	31
Other key management personnel		
– Salaries, fees and benefits-in-kind	**276**	187
– Contribution to defined contribution plans	**16**	13

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.

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 14 July 2015, the Group entered into a memorandum of understanding with Viva Industrial Trust Management Pte. Ltd., for the disposal of the property located at 30 Pioneer Road to The Trust Company (Asia) Limited (in its capacity as trustee of Viva Industrial Real Estate Investment Trust). The proposed disposal shall be at a price and on terms to be agreed between the parties. The proposed disposal will be subject to several conditions precedent, including the approval of Jurong Town Corporation and other corporate approvals. Should the proposed disposal materialise, the Group intends to lease back the property from the trustee.

NOTES TO **THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 MAY 2015

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD (cont'd)

(b) On 19 August 2013, the Company's subsidiary, GKE China Investments Pte Ltd ("GKE China"), entered into sale and purchase agreement ("SPA") with the vendors for the proposed acquisition of Uniplas (Shanghai) Co., Ltd ("Uniplas"). Uniplas was the owner of land use right over an industrial land situated at No 261, Fai Sai Road, Waigoqiao Free Trade Zone, Shanghai, People's Republic of China and a warehouse is situated on this land. On November 2013, the vendors gave notice to GKE China that it will not further perform the SPA and intended to refund the deposit paid by GKE China. GKE China rejected the refund and asserted the vendors to complete the SPA. On 6 December 2013, GKE China commenced arbitration against the vendors and the arbitration was heard on February 2015.

On 19 August 2015, the arbitral tribunal issued the final award as follows:

(i) GKE China's claims for reliefs are dismissed;

(ii) GKE China will pay the vendors' legal and other costs;

(iii) The fees and expenses of the Singapore International Arbitration Centre and the Tribunal are to be borne by GKE China, such fees and expenses to be determined in the subsequent award relating to the inquiry on damages; and

(iv) The vendors shall refund to GKE China the 30% initial payment for the proposed acquisition and pay to GKE China liquidated damages equivalent to 3% of the purchase consideration of Uniplas within 7 days from the date of the award, with liberty to the vendors to set off vendors' costs against these payments.

In accordance with FRS 10, the Group had recognised $1,100,000 (2014: Nil) of the vendors' estimated legal costs and tribunal fees net of liquidated damages in "Administrative expenses" of the income statement.

38. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 May 2015 were authorised for issue in accordance with a resolution of the directors on 25 August 2015.

STATISTICS OF **SHAREHOLDINGS**

AS AT 18 AUGUST 2015

Class of shares	**:**	**Ordinary shares**
No. of shares (excluding treasury shares)	**:**	**641,125,290**
Voting rights	**:**	**One vote per share**

As at 18 August 2015, the total number of treasury shares held is 5,417,000 (0.84%).

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	Percentage (%)	Number of Shares	Percentage (%)
1 – 99	4	0.23	62	0.00
100 – 1,000	32	1.81	26,199	0.01
1,001 – 10,000	418	23.64	3,223,515	0.50
10,001 – 1,000,000	1,265	71.55	126,263,300	19.69
1,000,001 and above	49	2.77	511,612,214	79.80
TOTAL	1,768	100.00	641,125,290	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	Number of Shares Held	Percentage (%)
1	Chen Yong Hua	67,200,000	10.48
2	UOB Kay Hian Pte Ltd	57,959,714	9.04
3	Qian Wen Hua	56,760,000	8.85
4	Citibank Nominees Singapore Pte Ltd	40,964,200	6.39
5	Maybank Nominees (S) Pte Ltd	40,164,000	6.26
6	OCBC Securities Private Limited	29,089,520	4.54
7	Far Eastern Bank Nominees Pte Ltd	20,045,300	3.13
8	Raffles Nominees (Pte) Ltd	19,407,300	3.03
9	Ang Hock Chwei	16,481,300	2.57
10	Ju Kai Meng	14,286,000	2.23
11	Hong Leong Finance Nominees Pte Ltd	12,377,000	1.93
12	Tan Geok Choo	11,755,600	1.83
13	Mo Kaiyuan	10,315,400	1.61
14	Neo Cheow Hui	10,000,000	1.56
15	Maybank Kim Eng Securities Pte Ltd	9,463,600	1.47
16	Chai Hwee Hoon Doreen	7,000,000	1.09
17	Tan Ai Meng	6,984,800	1.09
18	Chua Eng Hong	6,900,000	1.08
19	Tan Poh Soon	4,737,900	0.74
20	Soh Boon Kui	4,469,000	0.70
		446,360,634	69.62

STATISTICS OF **SHAREHOLDINGS**

AS AT 18 AUGUST 2015

SUBSTANTIAL SHAREHOLDERS AS AT 18 AUGUST 2015

(As recorded in the Register of Substantial Shareholders)

	Number of Shares			
	Direct Interest	%	Deemed Interest	%
Chen Yong Hua	67,200,000	10.48	–	–
Neo Kok Ching[1]	–	–	34,366,660	5.36
Qian Wen Hua	56,760,000	8.85	–	–
Wideshine Maritime Limited[2] [3]	–	–	33,997,600	5.30
Liu Ji Chun[2] [3]	–	–	33,997,600	5.30
Liu Ya Ping[2] [3]	–	–	33,997,600	5.30

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 31,060,000 shares registered in the names of Maybank Nominees (S) Pte Ltd and Far Eastern Bank Nominees 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 2015, 62.77% of the Company's shares are held in the hands 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**

GKE CORPORATION LIMITED (Company Registration No. 200001941G)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of GKE Corporation Limited (the "**Company**") will be held at 30 Pioneer Road, Singapore 628502 on Tuesday, 29 September 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company and the Group for the financial year ended 31 May 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$167,000 for the financial year ended 31 May 2015. (2014: S$170,000) **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Articles 107 and 117 of the Articles of Association of the Company:

   Mr. Liu Ji Chun (Retiring under Article 107) **(Resolution 3)**
   Mr. Chen Yong Hua (Retiring under Article 107) **(Resolution 4)**
   Ms. Qian Wen Hua (Retiring under Article 117) **(Resolution 5)**

4. 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 6)**

5. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

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

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

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

NOTICE OF **ANNUAL GENERAL MEETING**

GKE CORPORATION LIMITED (Company Registration No. 200001941G)

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(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;

NOTICE OF **ANNUAL GENERAL MEETING**

GKE CORPORATION LIMITED (Company Registration No. 200001941G)

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual – Section B: Rules of Catalist of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association 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 Annual General Meeting ("**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 (i)]

(Resolution 7)

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 14 September 2015

Explanatory Notes:

(i) Resolution 7, 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.

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.

NOTICE OF **ANNUAL GENERAL MEETING**

GKE CORPORATION LIMITED (Company Registration No. 200001941G)

Notes:

1. A Member 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. Where a member 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.

3. 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.

4. 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)

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy **GKE Corporation Limited's** shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____ (Name)

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			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting 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 Tuesday, 29 September 2015 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.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
Ordinary Business			
1	Directors' Report and Audited Accounts for the financial year ended 31 May 2015		
2	Approval of Directors' fees amounting to S$167,000 for the financial year ended 31 May 2015		
3	Re-election of Mr Liu Ji Chun as a Director		
4	Re-election of Mr Chen Yong Hua as a Director		
5	Re-election of Ms Qian Wen Hua as a Director		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
7	Authority to allot and issue shares		

Dated this ________ day of ______________ 2015

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 130A of the Companies Act, Chapter 50 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 entitled to attend and vote at a meeting of the Company 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.

3. Where a member 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. 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.

5. 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 forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised 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 authorised. 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.

7. A corporation which is a member may authorise 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.

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 forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 September 2015.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Chen Yong Hua
Executive Chairman and Executive Director

Mr. Neo Cheow Hui
Chief Executive Officer and Executive Director

Ms. Qian Wen Hua
Executive Director

Mr. Er Kwong Wah
Independent Director

Mr. Mahtani Bhagwandas
Independent Director

Ms. Angelic Cheah Yee Ping
Independent Director

Mr. Liu Ji Chun
Non-Executive Director

Mr. Wang Jian Ping
Alternate Director to Ms. Qian Wen Hua

COMPANY SECRETARY

Ms. Shirley Tan Sey Liy

AUDIT COMMITTEE

Mr. Er Kwong Wah (Chairman)
Mr. Mahtani Bhagwandas
Ms. Angelic Cheah Yee Ping

NOMINATING COMMITTEE

Mr. Mahtani Bhagwandas (Chairman)
Mr. Er Kwong Wah
Ms. Angelic Cheah Yee Ping

REMUNERATION COMMITTEE

Mr. Er Kwong Wah (Chairman)
Mr. Mahtani Bhagwandas
Ms. Angelic Cheah Yee Ping

SHARE REGISTRAR

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

AUDITORS

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

Partner-in-charge: Mr. Tan Swee Ho
(Appointed on 30 September 2011)

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

GKE

CORPORATION LIMITED