

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
Angelica 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

(G) 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	<ul style="list-style-type: none"> • COSCO Corporation (S) Limited • China Essence Group Ltd. • Eucon Holding Limited • China Sky Chemical Fibre Co., Ltd • CFM Holdings Ltd • C Y Foundation Limited 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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