GKE

CORPORATION LIMITED

STEPPING UP OUR CAPABILITIES

ANNUAL REPORT 2018

CONTENTS

CORE VALUES

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

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

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

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

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

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

OUR VISION

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

OUR MISSION

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

CORPORATE PROFILE

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

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

GKE operates its third-party warehousing & logistics business under the "**GKE**", **"Marquis"** and **"TNS"** brand name. The Group provides total integrated and comprehensive warehousing & logistics solutions and services that include general cargo storage, dangerous cargo storage (Class 2, 3, 6.1, 8 and 9), conventional transportation, container trucking, project logistics, international multi-modal sea and air freight forwarding services, marine logistics, chemical warehousing and drumming services. In addition, the Group has established port operations to enhance its logistics value chain as port operations is the first and last landing points for the import and export of goods.

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

GKE is listed since 2003 on the Catalist Board of the SGX-ST under stock code 595.

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

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

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

LETTER TO SHAREHOLDERS

Mr. Chen Yong Hua
Executive Chairman and Executive Director

DEAR SHAREHOLDERS,

The last financial year ended 31 May 2018 ("**FY2018**") saw the Group weather yet another round of adversities.

The protracted downcycle of the oil and gas industry, the intense competition in the warehousing & logistics business and the uncertainties in the macro environment continued to weigh on the financial performance of the Group over the last financial year.

The Group registered a 27.3% increase in revenue, from S$56.1 million for the financial year ended 31 May 2017 ("**FY2017**") to S$71.5 million in FY2018. The increase was mainly driven by the Group's strategic investment in a wholly-owned ready-mix concrete manufacturing plant, Wuzhou Xing Jian Readymix Co., Ltd. ("**Wuzhou Xing Jian**"), which commenced commercialisation in June 2016, and a full-year contribution from TNS Ocean Lines (S) Pte Ltd, which it acquired in late November 2016. Whilst the warehousing & logistics sector grappled with intense competition, the fluctuations in the commodities markets undermined the performance of both our joint venture and associated companies, namely, Ocean Latitude Limited ("**Ocean Latitude**"), which holds the liquefied gas carrier vessel, and GKE Metal Logistics Pte Ltd ("**GKE Metal**"), which manages the storage and shipment of non-ferrous metals that are traded on London Metal Exchange ("**LME**"). The adverse financial performance of Ocean Latitude and GKE Metal outweighed the positive contributions from Wuzhou Xing Jian and our chemical warehouse and logistics subsidiary, Marquis Services Pte Ltd ("**Marquis**"). To refine our focus on our core warehousing & logistics business, the Group decided to divest Ocean Latitude in December 2017. This divestment was completed on 31 May 2018 and the Group recognised a net loss of approximately S$7.5 million from the divestment. Consequently, the Group recorded a net loss attributable to shareholders of S$10.6 million in FY2018, widening from a net loss attributable to shareholders of S$2.3 million in FY2017.

Refining Focus

We had embarked on a diversification strategy with the aim of broadening our range of business activities, revenue base and profit generation. The driving motivation was to create value for all stakeholders, including our shareholders.

However, our expansion into new and uncharted territory, particularly the liquefied gas carrier vessel where we had a 50% stake in the joint venture, did not provide the Group with the expected returns and value that we had expected. Consequently, we took the painful but necessary decision to weed out non-performing businesses rather than allowing them to drag down our Group's performance over time and in the long run.

In December 2017, we divested the Group's 50% stake in Ocean Latitude to our joint venture partner, Sunrise Marine Limited, for a cash consideration of US$1.08 million (equivalent to approximately S$1.5 million). The Group had also provided a shareholder loan of US$4.4 million (equivalent to approximately S$6.0 million) to Ocean Latitude for the maintenance of the liquefied gas carrier vessel when charter rates and demand for the vessel declined. This loan will be repaid within a year.

On 8 August 2018, the Group entered into a Sale and Purchase Agreement to divest its 49% stake in GKE Metal for US$2.07 million (equivalent to approximately S$2.8 million). The proposed divestment opportunity came about as our majority partner, Plantation Holdings B.V., decided to sell its stake to Hung Lin Holding Ltd, the eventual purchaser. We expect the Group to record a net gain of S$0.3 million from this divestment.

Mr. Neo Cheow Hui
Chief Executive Officer and Executive Director

Strengthening Core Expertise

With the divestment of the non-performing businesses, the Group will continue to focus on strengthening its core expertise in warehousing & logistics.

We are pleased to announce that the construction of the new warehouse cum office at 39 Benoi Road ("**Benoi Road Property**") and the vehicular link bridge connecting the 40-footer ramp from Benoi Road Property to 30 Pioneer Road warehouse property, have been completed and operations have commenced. Through active marketing of the Group's integrated warehousing & logistics solutions and management services, we have seen increasing occupancy for the additional 200,000 sqft of storage space and an approximately 130,000 sqft open yard storage space in the Benoi Road property. With the completion of the link bridge, Viva Industrial Real Estate Investment Trust paid the Group an easement fee of S$3.0 million, and will be paying a monthly maintenance fee as well as sharing any repair costs of the ramp that may arise.

As a lateral expansion initiative, the Group extended our safe storage of hazardous chemicals and dangerous goods and services to providing auxiliary services such as drumming of chemicals for chemical traders and suppliers during the financial year. Through the investment in G-Chem Logistics Pte Ltd, the Group believes that the auxiliary services will complement and enhance our warehousing & logistics capabilities in the niche sector of specialty chemicals.

Looking ahead, we envision that uncertainties will remain, particularly the ongoing trade wars and volatile political situation, that could have an adverse impact on the Group. We will, however, rationalise and transform to overcome adversities and adapt to an ever-evolving competitive landscape, with the aim of becoming a stronger organisation that has the capability to generate sustainable value for all stakeholders.

As technological advancements are redefining distribution systems and global supply chains, we seize the opportunity to harness technology to reinvent our conventional practices in our core warehousing & logistics businesses, to meet and even exceed our customers' requirements and expectations. The Group will align our businesses in tandem with the Singapore Government's initiatives on Industrial Transformation.

Acknowledgments and Appreciation

On behalf of the Board, we would like to extend our deepest gratitude to all members of the Group for their dedication and commitment towards delivering value to all stakeholders. Our heartfelt appreciation also goes to our customers, bankers, and business associates, for their support to the Group. We also acknowledge our fellow Board of Directors for their invaluable advice and support throughout the year.

Finally, we are thankful to you, our shareholders. We appreciate the continued support and confidence you have given to us over the years and we are dedicated to generating long-term value for you.

CHEN YONG HUA 陈永华
Executive Chairman and Executive Director

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

致股东的信

尊敬的股东，

截至2018年5月31日的财政年（「**2018财政年**」），锦佳集团经历了又一轮逆境。

在石油和天然气行业仍长期处于低谷期、仓储和物流业的激烈竞争中夹缝求存，以及宏观经济的不确定性因素继续影响着锦佳集团在上一个财年的业绩。

在2018财政年集团的收入从2017财政年的5610万新元增长至7150万新元，取得27.3%的年度增长。增长的主要来源于：一、集团战略投资的全资子公司 --- 梧州市星建混凝土有限公司（「**梧州星建**」），该公司由2016年6月正式投产商业运营；二、2016年11月下旬战略性收购的TNS Ocean Lines(S) Pte. Ltd.（「TNS」），于2018财政年计纳全年营业额。除了仓储和物流业务面临激烈的竞争之外，大宗商品市场的波动也使我们集团的合资企业和联营公司的业务备受影响。分别为持有液化气运输船的Ocean Latitude Limited（「Ocean Latitude」）和运营管理金属仓储和装运的GKE Metal Logistics Pte Ltd（「GKE Metal」）。Ocean Latitude和GKE Metal的不良财务表现远远超过了梧州星建以及化工仓储物流业务子公司Marquis Services Pte Ltd（「Marquis」）的优异表现。为完善我们对核心仓储及物流业务的关注，本集团于2017年12月决定剥离Ocean Latitude。此撤资已于2018年5月31日完成，而本集团确认出现撤资约750万新元的净亏损。因此集团由2017财政年230万新元的净亏损扩大至2018财政年1060万新元的净亏损。

精华提炼

为谋求新的发展，我们为集团的多元化拓展着手考量，希望通过扩大业务和增加创收，致力于为我们所有的利益关联方、包括我们的股东，创造更多的价值。

然而，并不是事事都尽如人意。集团所持有的50%股份的合资企业，在液化气运输船这一新的未知领域中并没有产生预期的回报和价值。因此，集团迅速采取了紧急措施消除该不良产业，目的是为了让集团不会被持续拖累。从长远来看，这一举动虽然痛苦但却必要。

于2017年12月，集团宣布将所持有的Ocean Latitude的50%股份以现金108万美元(相当于150万新元)的价格出售给我们的合资伙伴Sunrise Marine Limited。在此之前，由于市场对液化气运输船的需求量和承租费用的下降，集团向该合资公司Ocean Latitude提供了440万美元(相当于600万新元)的股东贷款而。这笔贷款将在一年内偿还。

与此同时在2018年8月8日，集团签署了另一项股份买卖协议，将所持有的GKE Metal的49%股份以207万美元的价格出售（相当于280万新元）。该提议的缘由是GKE Metal的控股股东Plantation Holdings B.V.决定将其所持有的GKE Metal股份出售给Hung Lin Holding Ltd。我们预计集团将因此举动获得30万新元的净收益。

巩固核心

随着不良资产和业务的剥离，集团将继续巩固发展我们的核心业务：仓储和物流。

继贵耐路39号产业的竣工完成，以及链接贵耐路和先驱路仓储的衔接桥的建成，在集团积极的市场营销指导下，通过提供专业的仓储管理服务和优良的物流解决方案，我们看到39号物业增加的20万平方尺的仓储空间和将近13万平方尺的开放储存空间的租凭率有了陆续的增长。随着链接桥的完成， 亿达工业房地产信托向集团支付了300万新元的地役权费，与此同时也将支付每月的保养费，并分担该坡道可能会产生的修理费用。

致股东的信

在横下发展的倡议下，集团扩大了危险品和化学危险品的安全存储空间，并在此基础上提供相关的配套辅助服务，例如在此财政年期间为化学品贸易商和供应商提供油桶集装服务。通过投资G-Chem Logistics Pte Ltd，集团相信，提供此类的配套辅助服务将提高和完善我们在化学特殊品这一区域的仓储和物流能力。

展望未来，我们可以预见，随着贸易战的白热化以及政治局势的动荡不安，在商业发展中很多不稳定性因素会依旧存在，这些都有可能会对集团的发展造成影响。但是，我们会积极的面对挑战，在逆境中克服困难，转劣为优，以适应不断变化的市场竞争格局。目的是为了不断成长成为一个更强大的企业，为所有的利益攸关者创造可持续价值。

随着技术的进步正在重新定义分配系统和全球供应链， 我们抓住机会利用技术来重塑我们的核心仓储和物流业务的传统做法， 以满足甚至超过我们客户的要求和期望。本集团将与新加坡政府在工业转型方面的举措保持一致。

感恩常在

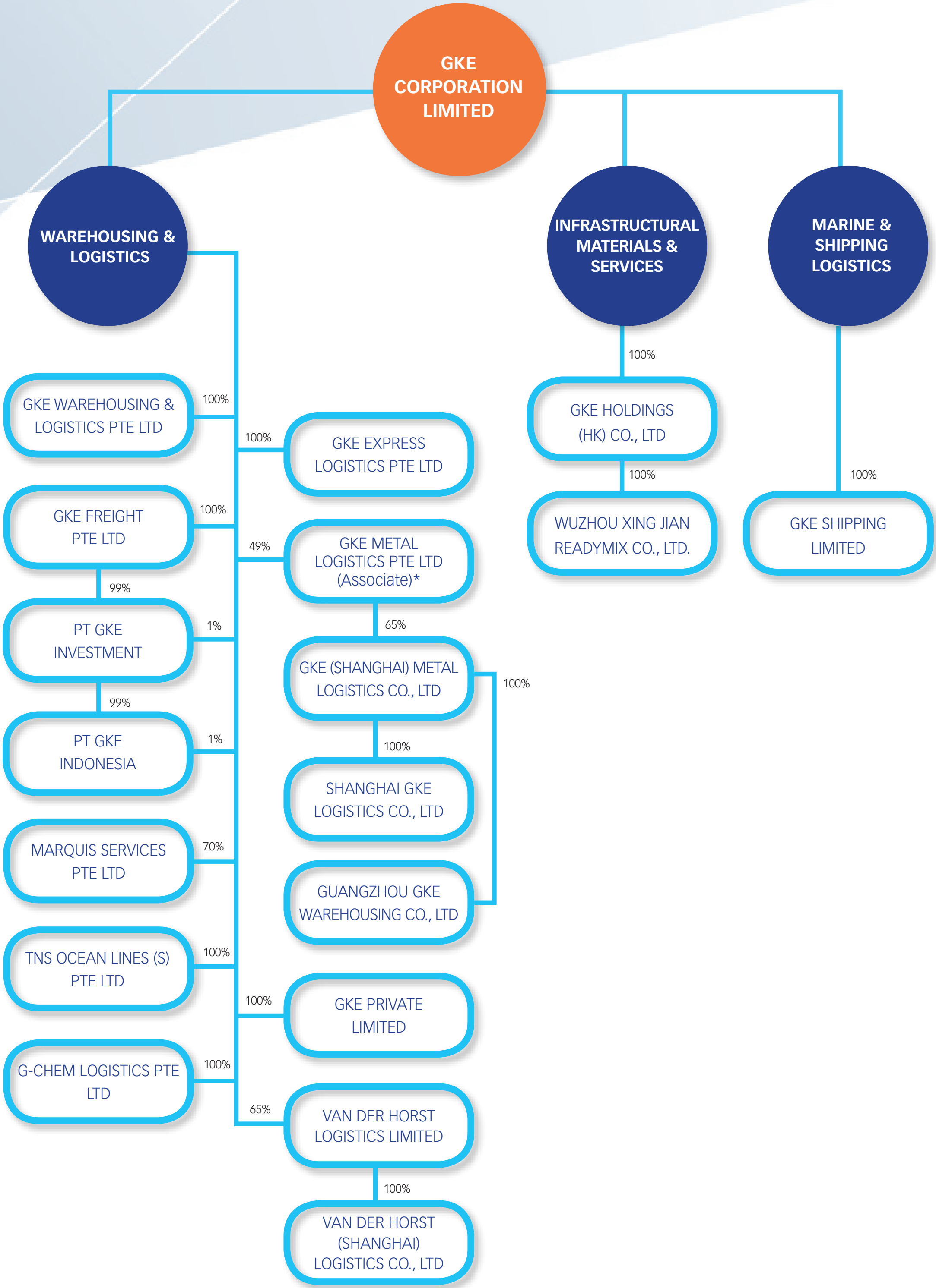
谨代表董事会，向锦佳集团全体成员致以最诚挚的感谢，感谢他们的努力和付出。感谢所有客户、银行家和商业合作伙伴们的大力支持。在此，我们也向董事会的同仁表达诚挚的谢意，感谢他们所提供的宝贵意见和鼎力支持。

最后，谨此向各位股东多年来给予的支持和信任表示由衷的感谢，感谢您一如既往的支持和关爱，我们定不辜负您的期望，为您创造更多的价值。

CHEN YONG HUA 陈永华
执行主席及执行董事

NEO CHEOW HUI 梁昭辉（鹏飞）
执行总裁及执行董事

CORPORATE STRUCTURE



*Subsequent to the financial year end, the Company has divested GKE Metal Logistics Pte Ltd on 8 August 2018.

BUSINESS SEGMENTS

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

WAREHOUSING & LOGISTICS

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

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

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

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

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

Marquis Services Pte Ltd, a 70% owned subsidiary, is a specialist in handling and warehousing of dangerous goods such as chemical products and flammable materials, industrial coating blending services and marine distribution services.

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

G-Chem Logistics Pte Ltd provides a one stop logistics solution for chemical producers/traders by offering services from transportation, storage, drumming to distribution and exportation.

INFRASTRUCTURAL MATERIALS & SERVICES

This business segment focuses on the manufacturing and supply of infrastructural materials, in particular, ready-mix concrete, for the infrastructural, real estate development and construction sectors in Wuzhou City, China.

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

MARINE & SHIPPING LOGISTICS

This business segment is carried out through its 50% joint venture in Ocean Latitude Limited, which has constructed an 83,000m^3 liquefied gas carrier vessel with a 53,800 deadweight tonnes. The vessel is delivered and commenced its operations with a chartering contract since mid-April 2016. The vessel is registered under Lloyds Register of Shipping. The Company has divested Ocean Latitude Limited in FY2018.

RAMPING UP OUR CAPABILITIES

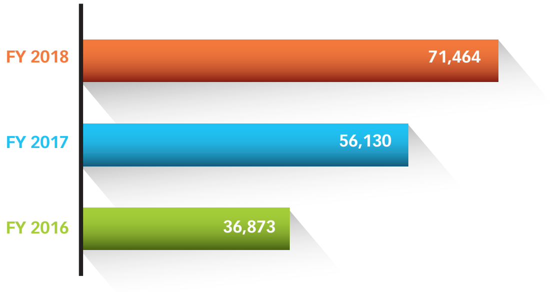
Our warehousing capabilities are brought to the next tier with the completion of the 40-footer ramp connecting our Benoi Road and 30 Pioneer Road properties. Safe storage services have also been extended, providing auxiliary services to compliment and further enhance our ability to serve the speciality chemicals sector.

GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 MAY

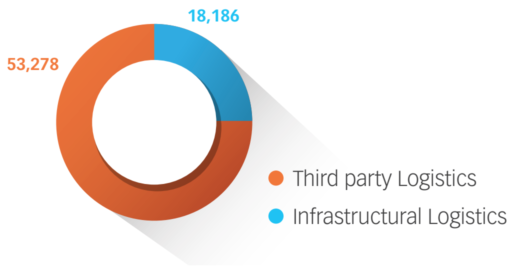
REVENUE

(S$'000)



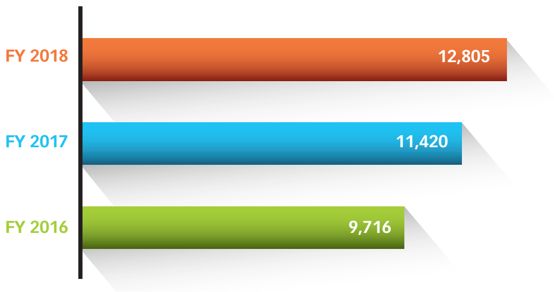
REVENUE BY BUSINESS SEGMENT

(S$'000)



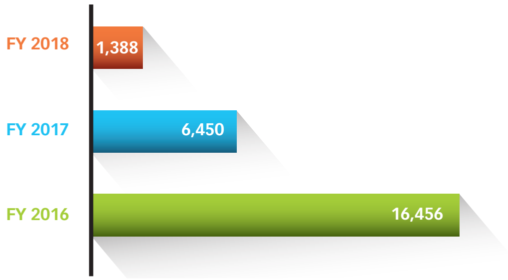
GROSS PROFIT

(S$'000)



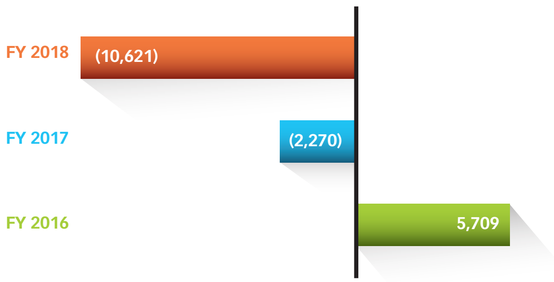
EBITDA

(S$'000)



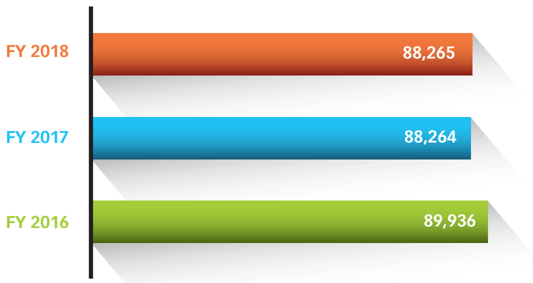
PATMI

(S$'000)



NET ASSETS VALUE

(S$'000)



GROUP FINANCIAL HIGHLIGHTS

Financial Year Ended 31 May	2018	2017	2016
FOR THE FINANCIAL YEAR (S$'000)			
Revenue	71,464	56,130	36,873
(Loss)/Profit			
EBITDA	1,388	6,450	16,456
Operating	(10,200)	(1,850)	5,874
Before tax	(9,237)	(2,117)	7,241
After tax and minority interest	(10,621)	(2,270)	5,709
PER SHARE (Singapore cents)			
(Loss)/Earnings			
After tax and minority interest	(1.55)	(0.34)	0.89
Weighted average number of issued shares (thousand)	686,368	658,077	638,676
Number of issued shares as at 31 May (thousand)	694,700	694,700	646,542
AT YEAR-END (S$'000)			
Net assets	88,265	88,264	89,936
Net tangible assets	75,991	74,792	81,530
Shareholders' funds	82,722	83,051	85,008
Minority interests	5,543	5,213	4,928
Capital employed	78,165	78,165	74,831
Total borrowings	78,397	61,141	50,800
Debt-to-equity ratio	88.8%	69.3%	56.5%
RETURN ON SHAREHOLDERS' FUNDS			
(Loss)/Profit before tax	(11.2%)	(2.5%)	8.5%
(Loss)/Profit after tax and minority interest	(12.8%)	(2.7%)	6.7%
SHAREHOLDERS' VALUE			
Distribution			
Final dividend (Singapore cents per share)	-	-	0.6
Share price as at 31 May (S$)	0.082	0.170	0.084

Note:

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

PERFORMANCE REVIEW

Amidst the challenging business environment and uncertainties that overshadowed the global economy, the Group took the decision to sharpen its focus on core warehousing & logistics business.

During the financial year, the Group completed the construction of the new warehouse cum office at 39 Benoi Road ("**Benoi Road Property**") and the vehicular link bridge that connects the 40-footer ramp from the Benoi Road Property to the 30 Pioneer Road warehouse property. With the completion of the link bridge, Viva Industrial Real Estate Investment Trust paid the Group an easement fee of S$3.0 million, and will be paying a monthly maintenance fee as well as sharing any repair costs of the ramp that may arise. The redeveloped Benoi Road Property has an additional 200,000 sqft of storage space and an approximately 130,000 sqft open yard storage space, bringing the total storage space in Singapore to approximately 900,000 sqft in warehouses and approximately 330,000 sqft in open yard.

The Group has also extended its safe storage of hazardous chemicals and dangerous goods services to providing auxiliary services, such as drumming of chemicals for chemical traders and suppliers, in FY2018 through an investment in G-Chem Logistics Pte Ltd. Together with the dedicated level for safe storage of hazardous specialty chemicals and dangerous goods in the Benoi Road Property, the Group expects headroom for expansion into the higher-margin niche sector of specialty chemicals.

To improve its operational efficiency, the Group discontinued its marine logistics business with the divestment of its 50% stake in the joint venture in Ocean Latitude Limited, which holds the liquefied gas carrier vessel, Gas Aries.

The Group's strategic investment, the ready-mix concrete manufacturing plant in Wuzhou, China, Wuzhou Xing Jian Readymix Co., Ltd. (梧州星建混凝土有限公司) ("**Wuzhou Xing Jian**"), continued to ramp up its production and sales as the city progresses with its urbanisation plans.

For FY2018, the Group registered revenue of S$71.5 million, an increase of 27.3% year-on-year, from S$56.1 million in FY2017. Higher revenue was mainly driven by Wuzhou Xing Jian and full-year contribution of newly acquired TNS Ocean Lines (S) Pte Ltd ("**TNS**"), the port operations service provider. The improvement was, however, moderated by lower contributions from the warehousing & logistics segment on the back of intense competition.

The cost of sales saw an increase of 31.2% year-on-year from S$44.7 million in FY2017 to S$58.7 million in FY2018 on the back of expanded operations of TNS and higher productivity at Wuzhou Xing Jian. Gross profit was lifted by 12.1% year-on-year from S$11.4 million in FY2017 to S$12.8 million in FY2018. The composite gross margin, however, declined from 20.3% in FY2017 to 17.9% in FY2018, mainly due to lower margin from the warehousing & logistics segment in Singapore, in spite of improved margin from Wuzhou Xing Jian in China.

PERFORMANCE REVIEW

Other income increased by 46.8% year-on-year to S$1.6 million in FY2018, up from S$1.1 million in FY2017. This was mainly due to gain on disposal of property, plant and equipment, net exchange gain, government grants and insurance claims.

Total operating expenses saw an increase of 6.4% year-on-year to S$13.9 million in FY2018 as compared to S$13.1 million in FY2017. This was mainly due to the increase in amortisation of intangible assets, provision for compensation and higher staff costs resulting from the acquisition of TNS, partially offset by lower marketing expenses incurred by Wuzhou Xing Jian and TNS.

Finance costs increased by 26.5% year-on-year from S$1.5 million in FY2017 to S$1.9 million in FY2018 as a result of loans taken for the construction of the Benoi Road Property and interest expense for working capital requirements at Wuzhou Xing Jian. This was partially offset by lower interest expense arising from the refinancing of a loan for a property.

There were no other expenses as the Group recorded a net exchange gain of S$0.2 million in FY2018, a reversal from the net exchange loss of S$0.3 million in FY2017.

The Group saw a lower margin in storage and shipment of metals, and lower exchange gain weighed down on its associate, GKE Metal Logistics Pte Ltd. Its share of results of associates reversed from a profit of S$7,000 in FY2017 to a loss of S$0.3 million in FY2018.

In the year under review, the Group divested its 50% stake in Ocean Latitude Limited, the joint venture that owns the liquefied gas carrier. The discontinued operation resulted in a loss of S$7.5 million in FY2018, against a loss of S$41,000 in FY2017. This comprised the share of loss of S$2.7 million in the joint venture due to the depressed chartering rates for the liquefied gas carrier vessel as well as the divestment loss of S$4.8 million for the 50% stake in the joint venture.

Net loss attributable to shareholders widened from S$2.2 million in FY2017 to S$10.6 million in FY2018, mainly burdened by the loss from the divestment of the 50% joint venture that owns the liquefied gas carrier vessel, amortisation of intangible assets and losses incurred by the warehousing & logistics segment.

STATEMENT OF FINANCIAL POSITION

The Group's equity attributable to owners of the Company decreased from S$83.1 million as at 31 May 2017 to S$82.7 million as at 31 May 2018. The decrease was mainly due to the loss for the financial year as a result of the divestment of the joint venture in the liquefied gas carrier vessel, which was partially offset by other reserves arising from the revaluation gain of the Benoi Road Property.

Non-current assets increased by S$15.6 million or 11.4% from S$137.3 million as at 31 May 2017 to S$152.8 million as at 31 May 2018. This was largely due to (i) the increase in property, plant and equipment arising from the completion of the Benoi Road Property as well as the revaluation of the property, and (ii) the purchase of fixed assets for the warehouse and drumming operations in Singapore and the ready-mix concrete manufacturing plant in Wuzhou, China. This increase was partially offset by the decrease in investment in joint venture of S$9.2 million due to the divestment, and the amortisation of land use rights and intangible assets.

Current assets increased by S$5.8 million or 17.7% from S$32.8 million as at 31 May 2017 to S$38.6 million as at 31 May 2018. The increase was mainly due to (i) the increase in inventories and higher trade receivables at the ready-mix concrete manufacturing plant in Wuzhou, China, (ii) the loan receivable of S$1.4 million due from Gas Aries Limited, a subsidiary of Ocean Latitude Limited, for the liquefied gas carrier vessel, and (iii) the increase in cash and cash equivalents to S$12.6 million due from the sale proceeds of the divestment of the 50% joint venture in Ocean Latitude Limited.

Non-current liabilities increased by S$7.2 million or 13.3% from S$53.8 million as at 31 May 2017 to S$61.0 million as at 31 May 2018. This was due to (i) the increase in other liabilities arising from the increase in deferred income for the link bridge access rights, (ii) the increase in borrowings to finance the construction of the Benoi Road Property, and (iii) the increase in deferred tax liabilities arose from the revaluation gain of the Benoi Road Property.

Current liabilities increased by S$14.2 million or 50.7% from S$28.0 million as at 31 May 2017 to S$42.2 million as at 31 May 2018. This was mainly due to (i) the increase in trade and other payables for the purchase of raw materials of the ready-mix concrete manufacturing plant in Wuzhou, China, as well as the commencement of operations of the drumming business, G-Chem Logistics Pte Ltd, (ii) the increase in other liabilities due to the accrual for the construction of the Benoi Road Property, and (iii) the increase in borrowings by S$14.2 million as a result of reclassification of a non-current term loan due for refinancing within the next 12 months as well as additional loans for working capital purposes in the Group's Singapore operations. The increase was partially offset by a marginal decrease in finance lease liabilities and lower tax payable of S$1.3 million.

CASH FLOWS

The Group generated S$5.8 million net cash from operating activities in FY2018, compared with S$4.7 million in FY2017. The increase was mainly due to positive operating cash flows before changes in working capital of S$8.4 million, adjusted by a decrease in net working capital of S$137,000, interest received and income tax paid of S$29,000 and S$2.5 million, respectively. Net cash used in investing activities of S$17.5 million in FY2018 was mainly due to the cash outlay for (i) the construction of the Benoi Road Property, and (ii) the purchase of fixed assets of S$19.3 million. This was partially offset by the proceeds from (i) the divestment of the 50% joint venture that holds the liquefied gas carrier vessel of S$1.5 million, and (ii) the disposal of fixed assets of S$0.5 million. Net cash generated from financing activities of S$13.7 million in FY2018 was mainly from bank borrowings of S$22.4 million for the construction of the Benoi Road Property, which was partially offset by the repayment of loans, finance leases and interest expenses.

BOARD OF DIRECTORS

MR. CHEN YONG HUA
Executive Chairman and Executive Director

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

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

MR. NEO CHEOW HUI
Chief Executive Officer and Executive Director

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

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

MS. QIAN WEN HUA
Executive Director

Ms. Qian Wen Hua joined the Group as Executive Director in 1 March 2015. Equipped with relevant business experience, Ms. Qian Wen Hua oversees the Group's business development in China. She is currently a director of Smart Park Pte Ltd.

MR. 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, particularly in the specialised field of shipping management and maritime logistics.

Currently, he is the Chairman of Wideshine Enterprises Ltd. with headquarter in Guangzhou PRC. Wideshine has a wide range of business including shipbuilding & trade, special-ship operations particularly in LPG tankers and asphalt carriers, international freight forwarding service, warehousing, manufacture of stainless steel kettles and cookware accessories, and other investments.

Mr. Liu is also the vice-chairman of Guangdong Hunan Chamber of Commerce and he has continuously contributed 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.

BOARD OF DIRECTORS

MR. ER KWONG WAH
Lead Independent Director

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

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

MR. ANDREW CHUA THIAM CHWEE
Independent Director

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

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

MR. HO YING MING
Independent Director

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

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

KEY MANAGEMENT

MS. DOREEN CHAI HWEE HOON

Group General Manager
GKE Corporation Limited

Managing Director
GKE Freight Pte Ltd
GKE Express Logistics Pte Ltd

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

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

MS. MARINA NEO HWEE LEE

Managing Director
GKE Warehousing & Logistics Pte Ltd

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

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

MS. GOH LAY NAH

Managing Director
Marquis Services Pte Ltd

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

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

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

MR. KEVIN TAN MENG CHUAN

Managing Director
TNS Ocean Lines (S) Pte Ltd

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

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

KEY MANAGEMENT

MS. LI ZI YAN

Investment Manager
GKE Corporation Limited

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

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

MR. CHUA WEI CHYE LAWRENCE

Senior Financial Controller
GKE Corporation Limited

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

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

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

MR. TOH CHENG CHYE

Group Finance Manager
GKE Corporation Limited

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

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

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

REPORT OF CORPORATE GOVERNANCE

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

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

(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 monitor 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 enable risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets; and
- identify the key stakeholder groups and recognise 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.

The Board holds regular scheduled meetings to review the Group's key activities, business strategies, funding decisions, financial performance and to approve the release of the results of the Group. Ad-hoc meetings are convened when circumstances require. Meetings via telephone are permitted by the Company's Constitution. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information relating 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 2018 ("**FY2018**") and the attendance of each Director at these meetings:

	Board		AC		NC		RC	
Name of Directors	**No. of meetings**		**No. of meetings**		**No. of meetings**		**No. of meetings**	
	held	**attended**	**held**	**attended**	**held**	**attended**	**held**	**attended**
Chen Yong Hua	4	4	4	4*	1	1*	1	1*
Neo Cheow Hui	4	4	4	4*	1	1*	1	1*
Qian Wen Hua	4	4	4	4*	1	1*	1	1*
Liu Ji Chun	4	3	4	3*	1	1*	1	1*
Er Kwong Wah	4	4	4	4	1	1	1	1
Ho Ying Ming	4	4	4	4	1	1	1	1
Andrew Chua Thiam Chwee	4	4	4	4	1	1	1	1

* By invitation

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

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

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment to the Board and appointment of key personnel;
- announcements of quarterly, half-year and full-year results, the annual report, sustainability report, 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, key changes in the relevant regulatory requirements, financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

News releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external 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 their duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Rules of Catalist of the SGX-ST that affect the Company and/or the Directors in discharging their duties. The costs of the training for the Directors shall be borne by the Company.

Newly-appointed Directors undergo an orientation program with materials provided to familiarise themselves 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

Non-Executive Director
Mr. Liu Ji Chun

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

Pursuant to Guideline 2.2, since the Chairman of the Board, Mr. Chen Yong Hua, is not an Independent Director and is part of the management team, the Independent Directors should make up at least half of the Board. Presently, the Board comprises three (3) Independent Directors, which is less that half of the Board. Notwithstanding, the NC has reviewed the size and composition of the Board and is satisfied that after taking in account the scope and nature of the operations of the Group in the year under review, the current Board size is appropriate, effecitive and has a strong and independent element to exericise objective judgement on corporate affairs. The Board will consider the appointment of an Independent Director, where appropriate.

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

The NC has reviewed the independence of each Independent Director and is of the view that all Independent Directors are independent.

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

The Board has examined its size and is of the view that its size is appropriate 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, specialise in accounting, finance, business and management, strategic planning and law.

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

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 communication within the Board and with the shareholders.

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

- scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;

- ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;

- ensuring the Group's compliance with the Code; and
- acting in the best interest of the Group and of the shareholders.

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

The Executive Chairman, Mr. Chen Yong Hua, is part of the management team and is not considered an Independent Director, the Company is in compliance with the Guideline 3.3 of the Code, where Mr. Er Kwong Wah has been appointed as the Lead Independent Director of the Company on 4 August 2016, to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. Mr. Er Kwong Wah is the main liaison between the Independent Directors and the Chairman. He is available to shareholders when they have concerns or when contact through the normal channels of the Chairman, the CEO, or the Senior Financial Controller fails to resolve or where such communication is inappropriate.

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

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

Board Membership

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

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

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

Mr. Er Kwong Wah was appointed as the Lead Independent Director of the Company with effect from 4 August 2016. Prior to his appointment as the Lead Independent Director, Mr. Er Kwong Wah was Independent Director, Chairman of the AC and RC and a member of the NC of the Company since 16 April 2007.

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 determine 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 programmes for the Board; and
- to review the Board succession plans for Directors, in particular, the Chairman and the CEO.

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

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

The NC has recommended to the Board that Mr. Neo Cheow Hui 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 under Principle 2 as set out in page 21 of this Annual Report) 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 that Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deem fits.

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

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

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

- provision of continuity and stability to the Management at the Board level as the Independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business;

- the qualification and expertise provides reasonable checks and balances for the Management;

- the Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussions at the meeting; and

- the Independent Director provides overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interests.

Mr. Er Kwong Wah has more than 30 years of experience on the boards of listed and private companies and participates actively in the discussion and provides his views especially in areas of compliance and financial management during the Board and Board Committees meetings. He attended all the Board and Board Committees meetings held during FY2018. In addition, Mr. Er Kwong Wah has confirmed that he does not have any relationship with the Company, either by way of contractual or commercial connections or any relatives or family members employed by the Company.

Based on the above factors and the rigorous review performed, the NC with the concurrence of the Board, is satisfied that Mr. Er Kwong Wah being an Independent Director who has served on the Board for more than 9 years remains independent.

The Company currently does not have any alternate Directors.

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

The key information on the 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 2017	–
Mr. Neo Cheow Hui	Chief Executive Officer and Executive Director	Board Member	21 July 2005 / 28 September 2016	√
Ms. Qian Wen Hua	Executive Director	Board Member	1 March 2015 / 29 September 2015	√
Mr. Liu Ji Chun	Non-Executive Director	Board Member	1 November 2005 / 28 September 2017	–
Mr. Er Kwong Wah	Lead Independent Director	Board Member, Chairman of AC and RC and Member of NC	16 April 2007 / 28 September 2016	–
Mr. Ho Ying Ming	Independent Director	Board Member, Member of AC, NC and RC	30 September 2015 / 28 September 2016	–
Mr. Andrew Chua Thiam Chwee	Independent Director	Board Member, Chairman of NC, Member of AC and RC	30 September 2015 / 28 September 2016	–

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

REPORT OF CORPORATE GOVERNANCE

Board Performance

Principle 5: There should be a formal 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 proposes objective performance criteria, subject to the Board's approval, which addresses how the Directors have enhanced long-term shareholders' value. The performance evaluation takes into consideration the Company's share price performance *vis-a-vis* the Singapore Straits Times Index. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution from each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

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

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

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

Access to Information

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

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

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

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

Remuneration Committee

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

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

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

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

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

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

No Director will be involved in determining his own remuneration.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. There were no remuneration consultants engaged by the Company in FY2018.

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 as a whole and the performance of the individual Director and the key management personnel so as to align remuneration with the interests of shareholders and link rewards to corporate and individual performance.

The Company had entered into service agreement with Mr. Neo Cheow Hui and Mr. Chen Yong Hua on 1 June 2016 respectively for an initial period of three years with effect from 1 June 2016 and the term of the service agreement shall automatically extended on the same terms and conditions as in effect immediately prior to the expiration date for another term of three years.

The remuneration packages for the Executive Directors and key management personnel will be reviewed by the RC annually to ensure that their remuneration packages commensurate with their performance and that of the Company. For FY2018, the RC is satisfied that the performance conditions for the Executive Directors and key management personnel were met.

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

The Independent and Non-Executive 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 contributions, 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 Directors do not receive any other remuneration from the Company in FY2018.

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.

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 FY2018 are as follows:

Directors

Names	Directors' Fees# (%)	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
<u>S$250,000 to S$500,000</u>					
Chen Yong Hua	0	91	7	2	100
Neo Cheow Hui	0	87	7	6	100
<u>Below S$250,000</u>					
Liu Ji Chun	100	0	0	0	100
Qian Wen Hua	0	92	7	1	100
Er Kwong Wah	100	0	0	0	100
Ho Ying Ming	100	0	0	0	100
Andrew Chua Thiam Chwee	100	0	0	0	100

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

A breakdown, showing the level and mix of top key management personnel who are not Directors or the CEO of the Company for FY2018 are as follows:–

Name of Key Management Personnel	Salary %	Bonus %	Benefits %	Total %
<u>S$250,000 to S$500,000</u>				
Goh Lay Nah	70	29	1	100
Chai Hwee Hoon, Doreen	86	13	1	100
Neo Hwee Lee, Marina(1)	91	7	2	100
<u>Below S$250,000</u>				
Chua Wei Chye Lawrence	85	13	2	100
Li Zi Yan	88	11	1	100
Toh Cheng Chye	88	11	1	100
Tan Meng Chuan	100	0	0	100

Note:

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

Details of remuneration paid to the immediate family member of Directors or CEO for FY2018 are as follows:-

Name of Immediate Family Member	Salary %	Bonus %	Benefits %	Total %
S$250,000 to S$500,000				
Neo Hwee Lee, Marina	91	7	2	100

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

For FY2018, the aggregate total remuneration paid to the key management personnel (who are not the Directors or the CEO) of the Company amounted to S$1,691,994.

In FY2018, there were no terminations, retirement or post-employment benefits granted to the Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service.

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

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Board understands its accountability to 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.

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

- **Structured ERM reporting processes**

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

- **Risk Appetite of the Company**

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

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

- **Risk assessment and monitoring**

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

REPORT OF CORPORATE GOVERNANCE

In addition to the above ERM reports, the Board has also received assurance from the CEO and the Senior Financial Controller 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 the AC, is of the opinion that, the system of internal controls and risk management maintained by the Group's Management throughout the FY2018 is adequate and effective to address the financial, operational, compliance and information technology risks.

The Board and the 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 the AC and the Board; and
- confirmation by the Management.

Audit Committee

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

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

Audit Committee

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

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

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, is a former senior civil servant. Mr. Er Kwong Wah currently sits as an independent director on the Board of several public listed companies. Mr. Ho Ying Ming has been practising as an advocate and solicitor and is currently a Partner of Shook Lin & Bok LLP, a law firm in Singapore. Mr. Andrew Chua Thiam Chwee is the Managing Director of SME Care Pte Ltd since January 2010. The Board is of the view that the members of the AC are appropriately qualified, having the necessary experience and expertise required to discharge their responsibilities.

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

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

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

Annually, the AC meets with the external auditors and internal auditors without the presence of the Management and having conducted a review of all non-audit services provided by the external auditors to the Group, the AC is satisfied that the nature and extent of such services do 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 FY2018 amounted to S$37,000 and S$199,000 respectively.

In the review of the financial statements for FY2018, the AC had discussed with the management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". In assessing the Key Audit Matters, the AC took into consideration the approach, methodology and the key assumptions applied in the review of the Key Audit Matters as provided in the Independent Auditor's Report. The AC concluded that Managements accounting treatment and estimates in the Key Audit Matters were appropriate.

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

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:

- independent investigations are carried out in an appropriate and timely manner;
- 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
- administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

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

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

Internal Audit

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

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

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

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

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

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

(D) COMMUNICATION WITH SHAREHOLDERS

Shareholder Rights

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

In line with the continuous disclosure obligations of the Company and pursuant to the provisions of the Rules of Catalist of the SGX-ST and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

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

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

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 is 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 notices of AGM and EGM are also advertised in a national newspaper.

The Company's website at http://www.gke.com.sg/ is where the Company's shareholders can access the Group's profile, financial information, corporate announcements, press releases and annual reports.

By providing shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders.

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, of which the AGM 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. No dividend was paid or proposed for FY2018 as the Company deemed it is prudent to retain cash resources for its business needs.

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 substantial issue at general meetings. The Company will make available minutes of general meetings to shareholders upon their requests.

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

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

(E) DEALINGS IN SECURITIES

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

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

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

(F) INTERESTED PERSON TRANSACTIONS

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

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

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

(G) MATERIAL CONTRACTS AND LOANS

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

(H) RISK MANAGEMENT

The Group has strategies for the management of financial risks which have been reviewed by the external auditors. The issues are outlined in Note 31 of the financial statements.

(I) CATALIST SPONSOR

The Company is currently under the SGX-ST Catalist sponsor-supervised regime and the continuing sponsor of the Company is RHT Capital Pte. Ltd.. No non-sponsor fee was paid to the sponsor in FY2018.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr. Chen Yong Hua	Executive Chairman and Executive Director	Board Member	Nil	Nil
Mr. Neo Cheow Hui	Chief Executive Officer and Executive Director	Board Member	Nil	Nil
Ms. Qian Wen Hua	Executive Director	Board Member	Nil	Nil
Mr. Liu Ji Chun	Non-Executive Director	Board Member	Nil	Nil
Mr. Er Kwong Wah	Lead Independent Director	Board Member, Chairman of Audit Committee, Chairman of Remuneration Committee and Member of Nominating Committee	• COSCO Shipping International (Singapore) Co., Ltd. • Ecowise Holdings Limited • China Sky Chemical Fibre Co., Ltd • CFM Holdings Ltd • China Environment Ltd. • The Place Holdings Limited	• China Oilfield Technology Services Group Limited • Success Dragon International Holdings Limited • China Essence Group Ltd. (delisted)
Mr. Andrew Chua Thiam Chwee	Independent Director	Board Member, Chairman of Nominating Committee, Member of Audit Committee and Member of Remuneration Committee	• Lum Chang Holdings Limited	Transcorp Holdings Limited
Mr. Ho Ying Ming	Independent Director	Board Member, Member of Audit Committee, Member of Nominating Committee and Member of Remuneration Committee	• Partner of Shook Lin & Bok LLP	Nil

DIRECTORS' STATEMENT

The Directors hereby present their statement to the members together with the audited consolidated financial statements of GKE Corporation Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 May 2018.

Opinion of the Directors

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and the balance sheet and the statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2018 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

In accordance with Regulation 107 of the Company's Constitution, Neo Cheow Hui 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 2018.

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	67,200,000	67,200,000	–	–
Neo Cheow Hui	27,445,300	27,445,300	500,000	500,000
Qian Wen Hua	56,760,000	56,760,000	–	–
Liu Ji Chun	–	–	33,997,600	33,997,600

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 June 2018.

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

Options

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

Audit Committee

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the quarterly, half year and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

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

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

Auditor

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

On behalf of the Board of Directors:

Neo Cheow Hui
Director

Qian Wen Hua
Director

Singapore
28 August 2018

INDEPENDENT AUDITOR'S REPORT

for the financial year ended 31 May 2018

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

Report on the Audit of the Financial Statements

We have audited the financial statements of GKE Corporation Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the balance sheets of the Group and the Company as at 31 May 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 May 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

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

Key Audit Matters (cont'd)

Valuation of leasehold land, buildings and improvements

The leasehold land, buildings and improvements ("properties") represent a significant part of the Group's total assets and are carried at fair value. The value of these properties amounted to $119,100,000 as at 31 May 2018. Management had engaged external real estate valuation specialist ("external appraiser") to determine the fair value for one of the properties amounting to $73,000,000. The valuation of the property at fair value is highly dependent on estimates and assumptions, such as rental rates, locations, lease period and the condition of the property. Given the contribution of the property to the Group's total assets and the complexity and judgment involved in their valuation, we have identified this as a key audit matter.

We considered the objectivity, independence and capabilities of the external appraiser. We considered the reasonableness of the key assumptions and estimates made by management and the external appraiser in the valuation methodology and the related data supporting the fair value of the properties. We also involved our internal valuation specialist to assist us in the evaluation of the appropriateness of the valuation model and certain key assumptions and estimates used. Furthermore, we assessed the adequacy of the disclosures in Note 30 to the financial statements relating to the sensitivity of the key assumptions.

Impairment assessment on goodwill

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

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

INDEPENDENT AUDITOR'S REPORT

for the financial year ended 31 May 2018

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

Key Audit Matters (cont'd)

Other Information

Management is responsible for the other information. The other information comprises information included in the Annual Report 2018, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT

for the financial year ended 31 May 2018

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Tan Soon Seng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 August 2018

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 May 2018

	Note	2018 $'000	2017 $'000
Revenue	4	**71,464**	56,130
Cost of sales		**(58,659)**	(44,710)
Gross profit		**12,805**	11,420
Other income	5	**1,618**	1,102
Expenses			
Marketing and distribution costs		**(250)**	(303)
Administrative expenses		**(13,654)**	(11,993)
Finance costs	6	**(1,945)**	(1,537)
Other expenses		**–**	(772)
Share of results of associates		**(337)**	7
Loss before tax from continuing operations		**(1,763)**	(2,076)
Tax (expense)/credit	8	**(963)**	267
Loss from continuing operations, net of tax		**(2,726)**	(1,809)
Discontinued operation			
Loss from discontinued operation, net of tax	36	**(7,474)**	(41)
Loss for the year		**(10,200)**	(1,850)
Loss attributable to:			
Owners of the Company			
- Loss from continuing operations, net of tax		**(3,147)**	(2,229)
- Loss from discontinued operation, net of tax		**(7,474)**	(41)
Loss for the year attributable to owners of the Company		**(10,621)**	(2,270)
Non-controlling interests			
- Profit from continuing operations, net of tax		**421**	420
- Loss from discontinued operation, net of tax		**–**	–
Profit for the year attributable to non-controlling interests		**421**	420
Loss per share (cents per share) from continuing operations attributable to owners of the Company			
- Basic and diluted (cents per share)	9(a)	**(0.46)**	(0.34)
Loss per share (cents per share)			
- Basic and diluted (cents per share)	9(a)	**(1.55)**	(0.34)

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 2018

	2018 $'000	2017 $'000
Loss for the year	**(10,200)**	(1,850)
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation gain on property, plant and equipment	**9,661**	1,010
Items that may be reclassified subsequently to profit or loss		
Fair value (loss)/gain on available-for-sale investments	**(72)**	66
Foreign currency translation	**263**	(615)
Share of foreign currency translation of associates	**24**	(47)
Fair value transfer to profit or loss on disposal of available-for-sale investments	**–**	(8)
Other comprehensive income for the year, net of tax	**9,876**	406
Total comprehensive income for the year	**(324)**	(1,444)
Attributable to:		
Owners of the Company	**(864)**	(1,729)
Non-controlling interests	**540**	285
Total comprehensive income for the year	**(324)**	(1,444)
Attributable to:		
Owners of the Company		
- Total comprehensive income/(loss) from continuing operations, net of tax	**6,610**	(1,688)
- Total comprehensive loss from discontinued operation, net of tax	**(7,474)**	(41)
Total comprehensive income for the year attributable to owners of the Company	**(864)**	(1,729)

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

BALANCE SHEETS

as at 31 May 2018

		Group		Company	
	Note	2018	2017	2018	2017
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	**137,428**	111,053	**142**	156
Land use rights	11	**4,794**	4,745	**–**	–
Intangible assets	12	**7,480**	8,727	**–**	–
Investments in subsidiaries	13	**–**	–	**51,959**	59,560
Investments in associates	14	**2,505**	2,818	**3,189**	3,189
Investments in joint ventures	15	**–**	9,228	**–**	–
Available-for-sale investments	16	**640**	697	**640**	697
Other receivables	17	**–**	–	**5,150**	4,866
Total non-current assets		**152,847**	137,268	**61,080**	68,468
Current assets					
Inventories	18	**469**	253	**–**	–
Trade and other receivables	17	**22,770**	19,116	**13,321**	12,361
Prepaid operating expenses		**550**	713	**24**	25
Cash and short-term deposit	19	**14,820**	12,762	**123**	528
Total current assets		**38,609**	32,844	**13,468**	12,914
Total assets		**191,456**	170,112	**74,548**	81,382
EQUITY AND LIABILITIES					
Equity					
Share capital	20	**78,165**	78,165	**78,165**	78,165
Treasury shares	21	**(672)**	(1,216)	**(672)**	(1,216)
Accumulated losses		**(11,261)**	(640)	**(24,774)**	(17,066)
Other reserves	22	**16,490**	6,742	**201**	282
Equity attributable to owners of the Company		**82,722**	83,051	**52,920**	60,165
Non-controlling interests		**5,543**	5,213	**–**	–
Total equity		**88,265**	88,264	**52,920**	60,165
Net current (liabilities)/assets		**(3,556)**	4,843	**(8,160)**	(8,303)

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

BALANCE SHEETS

as at 31 May 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Non-current liabilities					
Other liabilities	23	**4,317**	2,068	**–**	–
Borrowings	24	**52,911**	49,323	**–**	–
Deferred tax liabilities	25	**3,798**	2,002	**–**	–
Finance lease liabilities	26	**–**	454	**–**	–
Total non-current liabilities		**61,026**	53,847	**–**	–
Current liabilities					
Trade and other payables	27	**8,409**	7,594	**19,148**	18,777
Other liabilities	23	**7,399**	6,829	**2,436**	2,376
Borrowings	24	**21,876**	7,655	**–**	–
Finance lease liabilities	26	**3,610**	3,709	**44**	64
Tax payable		**871**	2,214	**–**	–
Total current liabilities		**42,165**	28,001	**21,628**	21,217
Total liabilities		**103,191**	81,848	**21,628**	21,217
Total equity and liabilities		**191,456**	170,112	**74,548**	81,382

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 May 2018

2018 Group	Note	Share capital $'000	Treasury shares $'000	Accumulated losses $'000	Other reserves, total $'000	Fair value reserve $'000	Translation reserve $'000	Revaluation reserve $'000	Capital reserve $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company										
Opening balance at 1 June 2017		78,165	(1,216)	(640)	6,742	370	926	5,534	(88)	83,051	5,213	88,264
(Loss)/profit for the year		–	–	(10,621)	–	–	–	–	–	(10,621)	421	(10,200)
Other comprehensive income:												
- Fair value loss on available-for-sale investments		–	–	–	(72)	(72)	–	–	–	(72)	–	(72)
- Revaluation gain on property, plant and equipment		–	–	–	9,661	–	–	9,661	–	9,661	–	9,661
- Foreign currency translation		–	–	–	144	–	123	21	–	144	119	263
- Share of other comprehensive income of associates		–	–	–	24	–	24	–	–	24	–	24
Other comprehensive income for the year, net of tax		–	–	–	9,757	(72)	147	9,682	–	9,757	119	9,876
Total comprehensive income for the year		–	–	(10,621)	9,757	(72)	147	9,682	–	(864)	540	(324)
Contributions by and distributions to owners:												
- Dividends paid on ordinary shares		–	–	–	–	–	–	–	–	–	(210)	(210)
- Treasury shares reissued	21	–	544	–	(9)	(9)	–	–	–	535	–	535
Total contributions by and distributions to owners		–	544	–	(9)	(9)	–	–	–	535	(210)	325
Total transactions with owners in their capacity as owners		–	544	–	(9)	(9)	–	–	–	535	(210)	325
Closing balance at 31 May 2018		**78,165**	**(672)**	**(11,261)**	**16,490**	**289**	**1,073**	**15,216**	**(88)**	**82,722**	**5,543**	**88,265**

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 2018

2017 Group	Note	Share capital $'000	Treasury shares $'000	(Accumulated losses) / Retained earnings $'000	Other reserves, total $'000	Fair value reserve $'000	Translation reserve $'000	Revaluation reserve $'000	Capital reserve $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the Company										
Opening balance at 1 June 2016		74,831	(1,537)	5,425	6,289	312	1,453	4,524	–	85,008	4,928	89,936
(Loss)/profit for the year		–	–	(2,270)	–	–	–	–	–	(2,270)	420	(1,850)
Other comprehensive income:												
- Fair value gain on available-for-sale investments		–	–	–	66	66	–	–	–	66	–	66
- Fair value transfer to profit or loss on disposal of available-for-sale investments		–	–	–	(8)	(8)	–	–	–	(8)	–	(8)
- Revaluation gain on property, plant and equipment		–	–	–	1,010	–	–	1,010	–	1,010	–	1,010
- Foreign currency translation		–	–	–	(480)	–	(480)	–	–	(480)	(135)	(615)
- Share of other comprehensive income of associates		–	–	–	(47)	–	(47)	–	–	(47)	–	(47)
Other comprehensive income for the year, net of tax		–	–	–	541	58	(527)	1,010	–	541	(135)	406
Total comprehensive income for the year		–	–	(2,270)	541	58	(527)	1,010	–	(1,729)	285	(1,444)
Contributions by and distributions to owners:												
- Purchase of treasury shares	21	–	(155)	–	–	–	–	–	–	(155)	–	(155)
- Dividends paid on ordinary shares		–	–	(3,795)	–	–	–	–	–	(3,795)	–	(3,795)
- Issue of new shares	20	3,334	–	–	–	–	–	–	–	3,334	–	3,334
- Treasury shares reissued pursuant to acquisition of a subsidiary		–	476	–	(88)	–	–	–	(88)	388	–	388
Total contributions by and distributions to owners		3,334	321	(3,795)	(88)	–	–	–	(88)	(228)	–	(228)
Total transactions with owners in their capacity as owners		3,334	321	(3,795)	(88)	–	–	–	(88)	(228)	–	(228)
Closing balance at 31 May 2017		78,165	(1,216)	(640)	6,742	370	926	5,534	(88)	83,051	5,213	88,264

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 2018

2018 Company	Note	Share capital $'000	Treasury shares $'000	Accumulated losses $'000	Fair value reserve $'000	Capital reserve $'000	Total equity $'000
Opening balance at 1 June 2017		78,165	(1,216)	(17,066)	370	(88)	60,165
Loss for the year		–	–	(7,708)	–	–	(7,708)
Other comprehensive income:							
- Fair value loss on available-for-sale investments		–	–	–	(72)	–	(72)
Other comprehensive income for the year, net of tax		–	–	–	(72)	–	(72)
Total comprehensive income for the year		–	–	(7,708)	(72)	–	(7,780)
Contributions by and distributions to owners							
- Treasury shares reissued	21	–	544	–	(9)	–	535
Total contributions by and distributions to owners		–	544	–	(9)	–	535
Closing balance at 31 May 2018		**78,165**	**(672)**	**(24,774)**	**289**	**(88)**	**52,920**

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 2018

2017 Company	Note	Share capital $'000	Treasury shares $'000	Accumulated losses $'000	Fair value reserve $'000	Capital reserve $'000	Total equity $'000
Opening balance at 1 June 2016		74,831	(1,537)	(11,356)	312	–	62,250
Loss for the year		–	–	(1,915)	–	–	(1,915)
Other comprehensive income:							
- Fair value gain on available-for-sale investments		–	–	–	66	–	66
- Fair value transfer to profit or loss on disposal of available-for-sale investments		–	–	–	(8)	–	(8)
Other comprehensive income for the year, net of tax		–	–	–	58	–	58
Total comprehensive income for the year		–	–	(1,915)	58	–	(1,857)
Contributions by and distributions to owners							
- Purchase of treasury shares	21	–	(155)	–	–	–	(155)
- Dividends paid on ordinary shares		–	–	(3,795)	–	–	(3,795)
- Issue of new shares		3,334	–	–	–	–	3,334
- Treasury shares reissued		–	476	–	–	(88)	388
Total contributions by and distributions to owners		3,334	321	(3,795)	–	(88)	(228)
Closing balance at 31 May 2017		78,165	(1,216)	(17,066)	370	(88)	60,165

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 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities:			
Loss before tax from continuing operations		**(1,763)**	(2,076)
Loss before tax from discontinued operation		**(7,474)**	(41)
Loss before tax, total		**(9,237)**	(2,117)
Adjustments for:			
Depreciation of property, plant and equipment	10	**7,326**	6,104
Amortisation of land use rights	11	**107**	106
Amortisation of intangible assets – customer relationships	12	**1,247**	820
Gain on disposal of property, plant and equipment	5	**(203)**	(89)
Fair value (gain)/loss on contingent consideration	7	**(315)**	465
Allowance/(reversal of allowance) for doubtful trade receivables	7	**8**	(16)
Gain on disposal of available-for-sale investments	7	**–**	(8)
Loss on disposal of investment in joint venture		**4,823**	–
Bad debts charged	7	**6**	19
Impairment of available-for-sale investments	7	**35**	92
Property, plant and equipment written off	7	**2**	47
Interest income	5	**(29)**	(76)
Interest expense	6	**1,945**	1,537
Share of results of joint venture		**2,651**	41
Share of results of associates		**337**	(7)
Effect of exchange rate changes		**(339)**	269
Operating cash flows before changes in working capital		**8,364**	7,187
Changes in working capital:			
(Increase)/decrease in inventories		**(216)**	28
Increase in trade and other receivables		**(3,668)**	(4,961)
Decrease/(increase) in prepaid operating expenses		**163**	(7)
Increase/(decrease) in trade and other payables		**815**	(962)
Increase in other liabilities		**2,769**	4,787
Cash flows from operations		**8,227**	6,072
Interest received		**29**	76
Net income tax paid		**(2,501)**	(1,426)
Net cash flows from operating activities		**5,755**	4,722

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 2018

	Note	2018 $'000	2017 $'000
Cash flows from investing activities:			
Dividend income from associate		–	331
Purchase of available-for-sale investments		**(50)**	(14)
Net cash outflow on acquisition of subsidiary	13	–	(1,767)
Proceeds from disposal of available-for-sale investments	16	–	14
Proceeds from disposal of property, plant and equipment		**458**	161
Proceeds from disposal of investment in joint venture		**1,451**	–
Purchase of property, plant and equipment (Note A)		**(19,329)**	(23,604)
Net cash flows used in from investing activities		**(17,470)**	(24,879)
Cash flows from financing activities:			
Dividends paid	28	–	(3,795)
Dividends paid to non-controlling interests		**(210)**	–
Loan from non-controlling interests		–	91
Repayment of obligations under finance leases		**(1,950)**	(1,622)
Interest paid		**(1,945)**	(1,537)
Proceeds from loans and borrowings		**22,403**	13,358
Repayment of loans and borrowings		**(4,583)**	(4,209)
Purchase of treasury shares	21	–	(155)
Placement in short-term deposit – pledged	19	–	(2,180)
Net cash flows generated from/(used in) financing activities		**13,715**	(49)
Net increase/(decrease) in cash and cash equivalents		**2,000**	(20,206)
Cash and cash equivalents at 1 June		**10,582**	30,768
Effect of exchange rate changes on cash and cash equivalents		**58**	20
Cash and cash equivalents at 31 May	19	**12,640**	10,582

Note A:

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of $21,593,000 (2017: $26,344,000) of which $1,364,000 (2017: $2,740,000) were acquired by means of hire purchase arrangements. Cash payments of $19,329,000 (2017: $23,604,000) were made to purchase property, plant and equipment.

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

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("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, except when otherwise indicated.

Going concern

The Group incurred a net loss of $10,200,000 (2017: $1,850,000) during the financial year ended 31 May 2018 and as at that date, the Group is in a net current liabilities position of $3,556,000 (2017: net current assets of $4,843,000). As at 31 May 2018, the Group's total borrowings amounted to $74,787,000 of which $21,876,000 were classified as current liabilities. The Group's loans and borrowings that are due for repayment in the next 12 months exceeded its cash and bank balances of $14,820,000 as at 31 May 2018.

Notwithstanding the above, the financial statements of the Group and the Company are prepared on a going concern basis as the Group is confident of refinancing the loan amounting to S$13,220,000, which is due for repayment within the next 12 months. This loan is secured by a property with first legal mortgage of the leasehold land, buildings and improvements of a subsidiary and corporate guarantee from the Company.

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

2.1 *Basis of preparation (cont'd)*

Convergence with International Financial Reporting Standards

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS (I) on 1 June 2018.

The Group has performed a preliminary assessment of the potential impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 June 2018 will be similar to the impact to that as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that 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 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Improvements to FRSs (December 2016)	
- Amendments to FRS 28 *Investment in Associate and Joint Venture*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	1 January 2019
- Amendments to FRS 103 *Business Combinations*	1 January 2019
- Amendments to FRS 111 *Joint Arrangements*	1 January 2019
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

As disclosed in Note 2.1, the Group will adopt SFRS (I) on 1 June 2018. Upon adoption of SFRS (I) on 1 June 2018, the SFRS (I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS (I) 9, SFRS (I) 15 and SFRS (I) 16, the directors expect that the adoption of the SFRS (I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS (I) 9, SFRS (I) 15 and SFRS (I) 16 are described below:

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

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

SFRS (I) 9 Financial Instruments

SFRS (I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS (I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

(a) Classification and measurement

For equity securities, the Group will elect to measure its currently held available-for-sale quoted equity securities at fair value through other comprehensive income. The Group does not expect any significant impact to arise on the adoption of the new standard.

(b) Impairment

SFRS (I) 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

SFRS (I) 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group plans to elect to apply the short-term exemption under SFRS (I) 1, which exempt the Group from applying SFRS (I) 9 to comparative information. The Group is currently finalising the transition adjustments, if any.

SFRS (I) 15 Revenue from Contracts with Customers

SFRS (I) 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under SFRS (I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has performed a preliminary assessment of the impact of SFRS (I) 15 based on currently available information. The assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS (I) 15 in 2018. The Group expects no material impact upon the adoption of SFRS (I) 15.

SFRS (I) 16 *Leases*

SFRS (I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

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

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

SFRS (I) 16 *Leases* *(cont'd)*

The Group has performed a preliminary impact assessment of the adoption of SFRS (I) 16 and expects that the adoption of SFRS (I) 16 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS (I) 16 and assessing the possible impact of adoption.

2.4 ***Basis of consolidation and business combinations***

(a) *Basis of consolidation*

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

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

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

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

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

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

(b) *Business combinations and goodwill*

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

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

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

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

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

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

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

2. 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.

(b) *Consolidated financial statements*

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

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

2.7 ***Property, plant and equipment***

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

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

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

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

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

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

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

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

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

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

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

2.8 ***Land use rights***

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

2.9 ***Intangible assets***

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

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

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

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

Customer relationships

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

2.10 ***Impairment of non-financial assets***

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

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

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

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

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.

2.11 *Subsidiaries*

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

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

2.12 *Joint ventures and associates*

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

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

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

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

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

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

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

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

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

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

2.13 ***Joint arrangements***

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

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

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

Joint ventures

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

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

2.14 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

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

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

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

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

De-recognition

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

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

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

2.15 ***Impairment of financial assets***

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

(a) *Financial assets carried at amortised cost*

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

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

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

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

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

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

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

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

2.15 ***Impairment of financial assets (cont'd)***

(b) *Available-for-sale financial assets (cont'd)*

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

2.16 ***Cash and cash equivalents***

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

2.17 ***Inventories***

Inventories comprise raw materials and finished goods.

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

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

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

2.18 ***Provisions***

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

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

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

2.19 ***Government grants***

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

2.20 ***Borrowing costs***

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

2.21 ***Employee benefits***

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

2.22 ***Leases***

(a) *As lessee*

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

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

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

(a) *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.

(b) *As lessor*

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

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

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

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

2.24 ***Revenue***

Revenue is 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.

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

2.24 ***Revenue (cont'd)***

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

(d) *Rental income*

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

(e) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.25 ***Taxes***

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

2.25 ***Taxes (cont'd)***

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

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

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

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

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

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

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

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

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

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

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

2.25 ***Taxes (cont'd)***

(c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

2.26 ***Share capital and share issuance expenses***

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

2.27 ***Treasury shares***

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

2.28 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

2.28 ***Contingencies (cont'd)***

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

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

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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***

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of the revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgment made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

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

3.2 *Key sources of estimation uncertainty*

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

(a) *Impairment of goodwill*

As disclosed in Note 12 to the financial statements, the recoverable amounts of the cash generating units, which goodwill has been allocated to, are determined based on value in use calculations. The value in use calculations are based on discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 12 to the financial statements. The carrying amount of goodwill as at 31 May 2018 was $5,655,000 (2017: $5,655,000).

(b) *Fair value of leasehold land, buildings and improvements*

The Group carries its leasehold land, buildings and improvements at fair value, with changes in fair values being recognised in other comprehensive income.

For one of the properties that was completed during the year, the fair value was determined by an independent real estate valuation expert using the comparative method.

For the remaining four properties, the Group engaged independent real estate valuation experts ("Valuers") to assess the fair values as at 31 May 2017. The valuation techniques used by the Valuers comprise the comparative method. The key assumptions used to determine the fair value of the leasehold land, buildings and improvements are provided in Note 30.

An internal assessment was performed by the management during the financial year and no further revaluation was performed for the properties because the fair values and carrying values do not differ significantly.

The carrying amounts of the leasehold land, buildings and improvements carried at fair value as at 31 May 2018 were $119,100,000 (2017: $71,005,000).

4. Revenue

	Group	
	2018	2017
	$'000	$'000
Sale of goods	**19,617**	8,877
Services rendered	**34,858**	32,871
Rental income	**16,989**	14,382
	71,464	56,130

5. Other income

	Group	
	2018	2017
	$'000	$'000
Gain on disposal of property, plant and equipment	**203**	89
Grant received from government	**654**	551
Interest income	**29**	76
Net foreign exchange gain	**152**	–
Rental income	**43**	52
Service charges	**186**	247
Others	**351**	87
	1,618	1,102

6. Finance costs

	Group	
	2018	2017
	$'000	$'000
Interest expense on:		
- Bank loans	**1,745**	1,296
- Obligations under finance leases	**169**	221
- Loan from non-controlling interests	**31**	20
Total finance costs	**1,945**	1,537

7. Loss before tax

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

	Group	
	2018	**2017**
	$'000	**$'000**
Audit fees paid to:		
- Auditors of the Company	**199**	163
- Other auditors	**1**	15
Non-audit fees paid to:		
- Auditors of the Company	**37**	32
- Other auditors	**–**	13
Amortisation of land use rights	**107**	106
Amortisation of intangible assets – customer relationships	**1,247**	820
Net foreign exchange (gain)/loss	**(152)**	307
Fair value (gain)/loss on contingent consideration on business combination (Note 23)	**(315)**	465
Allowance/(reversal of allowance) for doubtful trade receivables	**8**	(16)
Bad debts charged	**6**	19
Gain on disposal of available-for-sale investments	**–**	(8)
Depreciation of property, plant and equipment	**7,326**	6,104
Impairment of available-for-sale investments	**35**	92
Employee benefits expense (including Directors)		
- Salaries and related cost	**23,495**	19,418
- Contribution to defined contribution plans	**2,194**	2,098
Property, plant and equipment written off	**2**	47
Operating lease expense	**7,111**	9,017
Legal and professional fee	**387**	407

Employee benefits expense is inclusive of Directors and key management personnel remuneration as set out in Note 34(b).

8. Income tax expense/(credit)

(a) ***Major components of income tax expense/(credit)***

The major components of income tax expense/(credit) for the years ended 31 May 2018 and 2017 are:

	Group	
	2018	**2017**
	$'000	**$'000**
Consolidated income statement:		
Current income tax:		
- Current income taxation	**985**	481
- Under/(over) provision in respect of previous years	**173**	(325)
	1,158	156
Deferred income tax:		
- Origination and reversal of temporary differences	**(309)**	(435)
- Under provision in respect of previous years	**114**	12
	(195)	(423)
Income tax expense/(credit) recognised in profit or loss	**963**	(267)
Statement of comprehensive income:		
Deferred tax expense related to other comprehensive income:		
- Revaluation gain on property, plant and equipment	**1,980**	207
	1,980	207

8. Income tax expense/(credit) (cont'd)

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

The reconciliation between tax expense/(credit) and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 May 2018 and 2017 is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Loss before tax from continuing operations	**(1,763)**	(2,076)
Loss before tax from discontinued operation	**(7,474)**	(41)
Accounting loss before tax	**(9,237)**	(2,117)
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(202)**	(385)
Adjustments:		
Non-deductible expenses	**1,494**	2,044
Income not subject to taxation	**(405)**	(885)
Effect of tax incentives	**(132)**	(651)
Under/(over) provision in respect of previous years income tax	**173**	(325)
Under provision in respect of previous years deferred income tax	**114**	12
Share of results of associates	**(53)**	1
Singapore statutory stepped income exemption	**(26)**	(78)
Income tax expense/(credit) recognised in profit or loss	**963**	(267)

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

9. Loss per share

a) Continuing operations

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

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

9. Loss per share (cont'd)

a) Continuing operations (cont'd)

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

	Group Basic and diluted	
	2018	**2017**
	$'000	**$'000**
Loss for the year attributable to owners of the Company	**(10,621)**	(2,270)
Add back: Loss from discontinued operation, net of tax, attributable to owners of the Company	**7,474**	41
Loss from continuing operations, attributable to owners of the Company used in the computation of basic loss per share from continuing operations	**(3,147)**	(2,229)
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic and diluted loss per share computation	**686,368**	658,077

b) Loss per share computation

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

10. Property, plant and equipment

Group	At valuation	At cost					
	Leasehold land, buildings and improvements $'000	Cement plant and related equipment $'000	Furniture, fittings and office equipment $'000	Motor vehicles, trailers and forklifts $'000	Warehouse equipment $'000	Assets under construction $'000	Total $'000
Cost or valuation:							
At 1 June 2017	83,408	6,088	2,290	16,491	2,836	24,472	135,585
Additions	3,409	469	401	1,039	2,392	14,517[(1)]	22,227
Disposals	–	–	(21)	(291)	(440)	–	(752)
Revaluation surplus	11,641	–	–	–	–	–	11,641
Elimination of accumulated depreciation on revaluation	(6,088)	–	–	–	–	–	(6,088)
Reclassification	37,721	–	(64)	–	1,177	(38,834)	–
Write-off	(2)	–	(257)	(15)	–	–	(274)
Exchange differences	490	208	4	115	–	–	817
At 31 May 2018	**130,579**	**6,765**	**2,353**	**17,339**	**5,965**	**155**	**163,156**
Accumulated depreciation:							
At 1 June 2017	12,403	225	1,820	8,281	1,803	–	24,532
Depreciation charge for the year	4,496	250	280	1,922	378	–	7,326
Depreciation capitalised	634[(1)]	–	–	–	–	–	634
Elimination of accumulated depreciation on revaluation	(6,088)	–	–	–	–	–	(6,088)
Disposals	–	–	(23)	(271)	(203)	–	(497)
Write-off	(2)	–	(256)	(14)	–	–	(272)
Exchange differences	36	12	2	43	–	–	93
At 31 May 2018	11,479	487	1,823	9,961	1,978	–	25,728
Net carrying amount:							
At 31 May 2018	**119,100**	**6,278**	**530**	**7,378**	**3,987**	**155**	**137,428**

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

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

Group	At valuation	At cost					
	Leasehold land, buildings and improvements $'000	Cement plant and related equipment $'000	Furniture, fittings and office equipment $'000	Motor vehicles, trailers and forklifts $'000	Warehouse equipment $'000	Assets under construction $'000	Total $'000
Cost or valuation:							
At 1 June 2016	87,919	–	1,886	14,908	2,533	6,219	113,465
Additions	1	1,153	386	2,632	422	23,272[(1)]	27,866
Disposals	–	–	(24)	(878)	(53)	–	(955)
Revaluation surplus	1,217	–	–	–	–	–	1,217
Elimination of accumulated depreciation on revaluation	(5,172)	–	–	–	–	–	(5,172)
Reclassification from warehouse equipment	–	47	–	–	(47)	–	–
Transfer from assets under construction	–	4,952	–	–	–	(4,952)	–
Write-off	–	–	(6)	(58)	(19)	–	(83)
Acquisition of subsidiary	–	–	51	17	–	–	68
Exchange differences	(557)	(64)	(3)	(130)	–	(67)	(821)
At 31 May 2017	83,408	6,088	2,290	16,491	2,836	24,472	135,585
Accumulated depreciation:							
At 1 June 2016	12,583	–	1,639	7,277	1,544	–	23,043
Depreciation charge for the year	3,497	226	208	1,842	331	–	6,104
Depreciation capitalised	1,522[(1)]	–	–	–	–	–	1,522
Elimination of accumulated depreciation on revaluation	(5,172)	–	–	–	–	–	(5,172)
Disposals	–	–	(21)	(809)	(53)	–	(883)
Write-off	–	–	(6)	(12)	(18)	–	(36)
Exchange differences	(27)	(1)	–	(17)	(1)	–	(46)
At 31 May 2017	12,403	225	1,820	8,281	1,803	–	24,532
Net carrying amount:							
At 31 May 2017	71,005	5,863	470	8,210	1,033	24,472	111,053

(1) Additions to assets under construction during the year include the depreciation of leasehold land at 39 Benoi Road amounting to $1,522,000.

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

	Furniture, fittings and office equipment	Motor vehicles	Total
	$'000	$'000	$'000
Company			
Cost:			
At 1 June 2017	201	527	728
Additions	74	–	74
Write-off	(102)	–	(102)
At 31 May 2018	**173**	**527**	**700**
Accumulated depreciation:			
At 1 June 2017	171	401	572
Depreciation charge for the year	46	42	88
Write-off	(102)	–	(102)
At 31 May 2018	**115**	**443**	**558**
Net carrying amount:			
At 31 May 2018	**58**	**84**	**142**
Company			
Cost:			
At 1 June 2016	174	527	701
Additions	36	–	36
Disposals	(9)	–	(9)
At 31 May 2017	201	527	728
Accumulated depreciation:			
At 1 June 2016	157	359	516
Depreciation charge for the year	23	42	65
Disposals	(9)	–	(9)
At 31 May 2017	171	401	572
Net carrying amount:			
At 31 May 2017	30	126	156

During the year, the total gain on disposal of property, plant and equipment amounted to $203,000 (2017: $89,000).

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

Revaluation of leasehold land, buildings and improvements

The Group's leasehold properties as at 31 May 2018 comprise the following:

Location	Title	Description
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 35 years and 11.5 months from 1 March 2001	A 5-storey ramp-up warehouse building with ancillary office
7 Kwong Min Road Singapore 628710	Leasehold 30 year with effect from 1 July 1998	A 3-storey detached factory
No. 338 Yesheng Road Yangshan Free Trade Port Area, Pudong District, Shanghai, 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 has a policy to engage independent real estate valuation experts ("Valuers") to assess the fair values once every two years. In the current financial year, the valuation was performed by Knight Frank Pte Ltd on 28 November 2017 for No. 39 Benoi Road due to the completion of construction during the financial year. Details of valuation techniques and inputs used are disclosed in Note 30.

In the previous financial year, the valuations for the remaining leasehold properties were performed by Knight Frank Pte Ltd and CBRE Limited, which are independent valuers, to determine the fair values by reference to market based evidence. The dates of the revaluations for No. 1 Jalan Besut, No. 6 Pioneer Walk, 7 Kwong Min Road and No. 338 Yesheng Road, Yangshan Free Trade Port Area, Pudong District, Shanghai were 24 January 2017, 24 January 2017, 26 May 2017 and 9 June 2017 respectively. An internal assessment was performed by the management during the financial year and no further revaluation was performed because the fair values and carrying values do not differ significantly.

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

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

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

	Group	
	2018	**2017**
	$'000	**$'000**
Leasehold land, buildings and improvements at 31 May:		
Cost	**125,344**	88,774
Accumulated depreciation	**(21,888)**	(17,060)
Net carrying amount	**103,456**	71,714

Assets under construction

The Group's property, plant and equipment included $155,000 (2017: $24,472,000) which relate to re-development expenditure for the property, plant and equipment at 39 Benoi Road.

Assets held under finance leases

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

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

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

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold land, buildings and improvements with a carrying amount of $119,100,000 (2017: $71,005,000) are mortgaged to secure the Group's bank loans (Note 24).

11. Land use rights

	Group 2018 $'000	Group 2017 $'000
Cost:		
At 1 June	**5,200**	5,446
Exchange differences	**174**	(246)
At 31 May	**5,374**	5,200
Accumulated amortisation:		
At 1 June	**455**	363
Charge for the year	**107**	106
Exchange differences	**18**	(14)
At 31 May	**580**	455
Net carrying amount:		
At 31 May	**4,794**	4,745
Amount to be amortised:		
- Not later than one year	**107**	105
- Later than one year but not later than five years	**404**	419
- Later than five years	**4,283**	4,221

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 44 years (2017: 45 years).

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

12. Intangible assets

	Group		
	Goodwill	Customer relationships	Total
	$'000	$'000	$'000
Cost:			
At 1 June 2016	1,315	2,135	3,450
- Acquisition of a subsidiary (Note 13b)	4,340	1,884	6,224
At 31 May 2017, 1 June 2017 and 31 May 2018	5,655	4,019	9,674
Accumulated amortisation and impairment:			
At 1 June 2016	–	127	127
Amortisation	–	820	820
At 31 May 2017 and 1 June 2017	–	947	947
Amortisation	–	1,247	1,247
At 31 May 2018	**–**	**2,194**	**2,194**
Net carrying amount			
At 31 May 2017	5,655	3,072	8,727
At 31 May 2018	**5,655**	**1,825**	**7,480**

Customer relationships

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

Amortisation expense

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

Impairment testing of goodwill

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

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

12. Intangible assets (cont'd)

Impairment testing of goodwill (cont'd)

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

	Marquis $	TNS $	Total $
2018			
Goodwill	**1,315**	**4,340**	**5,655**
2017			
Goodwill	1,315	4,340	5,655

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

	2018		2017	
	Marquis	TNS	Marquis	TNS
Forecasted revenue growth rates	**2.0%**	**5.0%**	2.0%	5.0%
Long term growth rates	**1.6%**	**1.8%**	1.8%	2.0%
Post-tax discount rates	**8.3%**	**8.4%**	8.0%	10.0%

Key assumptions used in the value in use calculations

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

Forecasted revenue growth rates – Revenues are increased over the budget period for anticipated efficiency improvements. An increase of 2.0% and 5.0% per annum was applied for Marquis and TNS respectively.

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

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

Sensitivity to changes in assumptions

With regards to the assessment of value in use for Marquis and TNS, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materiality exceed its recoverable amount and is of the view that no impairment charge is required for the financial year ended 31 May 2018.

13. The Investments in subsidiaries

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

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

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

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective percentage of equity held by Group 2018 %	2017 %
Held by the Company			
GKE Private Limited [i] (Singapore)	Provision of warehousing services and trading business	**100**	100
GKE Warehousing & Logistics Pte Ltd [i] (Singapore)	Provision of warehousing, packing and transportation services	**100**	100
GKE Express Logistics Pte Ltd [i] (Singapore)	Provision of freight forwarding, transportation, warehousing and logistics services	**100**	100
GKE Freight Pte Ltd [i] (Singapore)	Provision of freight forwarding and transportation services	**100**	100
Van der Horst Logistics Limited [ii] (British Virgin Islands)	Investment holding	**65**	65
GKE Holdings (HK) Co., Ltd. [iii] (Hong Kong)	Investment holding	**100**	100
GKE Shipping Co., Ltd. [iv] (Hong Kong)	Investment holding	**–**	100

13. Investments in subsidiaries (cont'd)

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Effective percentage of equity held by Group 2018 %	2017 %
Held by the Company (cont'd)			
GKE Shipping Limited [ii] (British Virgin Islands)	Investment holding	**100**	100
G-Chem Logistics Pte Ltd. [i] (Singapore)	Provision of warehousing, packing and transportation services	**100**	–
Marquis Services Pte Ltd [i] (Singapore)	Provision of freight forwarding, transportation, warehousing and logistics services	**70**	70
TNS Ocean Lines (S) Pte Ltd [i]	Provision of port operations and logistics services, stevedoring and freight forwarding services	**100**	100
Held through Van der Horst Logistics Limited			
Van der Horst (Shanghai) Logistics Co., Ltd. [v] (People's Republic of China)	Provision of storage and warehousing	**65**	65
Held through GKE Freight Pte Ltd			
PT GKE Investment [ii] (Indonesia)	Investment holding	**100**	100
Held through PT GKE Investment			
PT GKE Indonesia [ii] (Indonesia)	Provision of freight forwarding and transportation services	**100**	100
Held through GKE Holdings (HK) Co., Ltd			
Wuzhou Xing Jian Readymix Co., Ltd [vi] (People's Republic of China)	Producing and manufacturing of environmental friendly lightweight brick, building materials and cement products	**100**	100

i Audited by Ernst & Young LLP.

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

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

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

v. Audited by Shanghai Yinhu Certified Public Accountants.

vi. Audited by Wuzhou Zhengyi Lianhe Certified Public Accountants.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 May 2018

13. Investments in subsidiaries (cont'd)

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

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

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

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(Loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			$'000	$'000	$'000
31 May 2018:					
Van der Horst (Shanghai) Logistics Co., Ltd.	People's Republic of China	35%	115	3,791	–
Marquis Services Pte Ltd	Singapore	30%	391	985	210
31 May 2017:					
Van der Horst (Shanghai) Logistics Co., Ltd.	People's Republic of China	35%	(54)	3,557	–
Marquis Services Pte Ltd	Singapore	30%	557	848	–

13. Investments in subsidiaries (cont'd)

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

Summarised financial information about subsidiaries with material NCI

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

Summarised balance sheet

	Van der Horst (Shanghai) Logistics Co., Ltd		Marquis Services Pte Ltd	
	As at May 2018 $'000	**As at May 2017 $'000**	**As at May 2018 $'000**	**As at May 2017 $'000**
Current				
Assets	**514**	646	**2,983**	2,735
Liabilities	**(5,760)**	(3,308)	**(1,780)**	(2,353)
Net current (liabilities)/assets	**(5,246)**	(2,662)	**1,203**	382
Non-current				
Assets	**17,295**	17,125	**5,095**	5,741
Liabilities	**(1,216)**	(4,300)	**(3,014)**	(3,443)
Net non-current assets	**16,079**	12,825	**2,081**	2,298
Net assets	**10,833**	10,163	**3,284**	2,680

Summarised statement of comprehensive income

	Van der Horst (Shanghai) Logistics Co., Ltd		Marquis Services Pte Ltd	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Revenue	**1,008**	949	**7,415**	7,548
Profit/(loss) before income tax expense	**328**	(155)	**1,641**	1,937
Income tax expense	**–**	–	**(337)**	(299)
Profit/(loss) after tax	**328**	(155)	**1,304**	1,638
Other comprehensive income	**32**	(35)	**–**	–
Total comprehensive income	**360**	(190)	**1,304**	1,638

13. Investments in subsidiaries (cont'd)

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

Other summarised information

	Van der Horst (Shanghai) Logistics Co., Ltd		Marquis Services Pte Ltd	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Net cash flows from operations	**600**	420	**2,010**	1,847
Acquisition of significant property, plant and equipment	**–**	–	**–**	(663)

Significant restrictions:

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

b. Acquisition of subsidiary in the previous financial year

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

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

13. Investments in subsidiaries (cont'd)

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

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

	Fair value recognised on acquisition
	$'000
Customer relationships (Note 12)	1,884
Property, plant and equipment	68
Trade and other receivables	2,225
Cash and cash equivalents	933
	5,110
Trade and other payables	(2,589)
Finance leases	(119)
Deferred tax liabilities	(320)
	(3,028)
Total identifiable net assets at fair value	2,082
Goodwill arising from acquisition	4,340
	6,422
Consideration transferred for the acquisition of TNS	
Cash paid	2,700
Equity instruments issued (48,158,250 ordinary shares and 4,341,750 treasury shares of the Company)	3,722
Total consideration transferred	6,422

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

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

13. Investments in subsidiaries (cont'd)

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

Equity instruments issued as part of consideration transferred

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

Contingent consideration arrangement

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

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

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

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

As at the acquisition date, the fair value of the contingent consideration was estimated to be not significant.

Transaction costs

Transaction costs relating to the acquisition of TNS amounting to $92,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 May 2018.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables and other receivables with fair values of $1,359,000 and $866,000 respectively. Their gross contractual amounts are same as the fair value amounts. It is expected that the receivables amount are collectible.

Goodwill arising from acquisition

The goodwill of $4,340,000 comprises the value of expanding the services to a customer and synergies in the logistics business expected to arise from the acquisition.

13. Investments in subsidiaries (cont'd)

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

Impact of the acquisition on profit or loss

From the acquisition date, TNS has contributed $8,941,000 of revenue and $972,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, TNS' contribution to the Group's revenue and profit after tax would have been $17,882,000 and $1,944,000 respectively.

Provisional accounting of the acquisition of TNS

A customer relationship has been identified as an intangible asset arising from this acquisition (Note 12).

The Group has engaged an independent valuer to determine the fair value of the customer relationship. As at 31 May 2017, the fair value of the customer relationship amounting to $1,884,000 has been determined on a provisional basis as the final results of the independent valuation have not been received.

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

14. Investments in associates

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Unquoted equity shares, at cost	**6,615**	6,615	**6,615**	6,615
Impairment losses	**(3,916)**	(3,916)	**(3,426)**	(3,426)
Share of net post acquisition reserve	**(194)**	119	**–**	–
GKE Metal Logistics Pte Ltd and its subsidiaries, at cost less impairment losses	**2,505**	2,818	**3,189**	3,189

14. Investments in associates (cont'd)

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

Name of associates (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest 2018 %	2017 %
Held by the Company			
GKE Metal Logistics Pte Ltd [i] (Singapore)	Provision of storage, freight forwarding, warehousing, packing, removal and delivery services	**49**	49
Held through 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
Guangzhou GKE Warehousing Co., Ltd. [ii] (People's Republic of China)	Provision of storage, freight forwarding, warehousing, packing, removal and delivery services	**32**	32

i. Audited by Ernst & Young LLP.

ii. Audited by Shanghai Yinhu Certified Public Accountants.

Dividends of $Nil (2017: $331,000) was received from GKE Metal Logistics Pte Ltd in the current financial year.

14. Investments in associates (cont'd)

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

Summarised balance sheet

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

Summarised statement of comprehensive income

	GKE Metal Logistics Pte Ltd and its subsidiaries	
	2018	**2017**
	$'000	**$'000**
Revenue	**10,492**	10,436
(Loss)/profit after tax from continuing operations	**(839)**	9
Other comprehensive income	**49**	(97)
Total comprehensive income	**(790)**	(88)

14. Investments in associates (cont'd)

Impairment testing

As disclosed in Note 35, GKE Metal Logistics Pte Ltd and its subsidiaries were disposed subsequent to year-end. The recoverable amount is determined from the fair value less costs to sell of the associate and compared against its carrying amount. No significant impairment loss was identified.

15. Investments in joint ventures

In 2017, the Group has 50% equity interest in a joint venture, Ocean Latitude Limited ("Ocean Latitude") that is held through a subsidiary, GKE Shipping Limited. This joint venture is incorporated in British Virgin Islands. During the financial year, the Group divested its entire 50% equity interest in Ocean Latitude at a consideration of US$1,080,000. A net loss of S$4,823,000 was recognised from the transaction.

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

Summarised balance sheet

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

15. Investments in joint ventures (cont'd)

Summarised statement of comprehensive income

	Ocean Latitude Limited	
	2018	2017
	$'000	$'000
Revenue	**5,726**	11,478
Operating expenses	**(7,293)**	(7,468)
Interest expense	**(3,735)**	(4,092)
Loss before tax	**(5,302)**	(82)
Income tax expense	**–**	–
Loss after tax	**(5,302)**	(82)
Other comprehensive income	**–**	(285)
Total comprehensive income	**(5,302)**	(367)

16. Available-for-sale investments

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

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

17. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables	**15,301**	12,038	**–**	–
Amounts due from associate				
- Trade	**180**	246	**–**	–
- Non-trade	**5**	5	**5**	5
Amount due from joint venture				
- Non-trade	**–**	4,685	**–**	–
SGD loans to subsidiaries	**–**	–	**3,785**	2,505
Amounts due from subsidiaries	**–**	–	**9,436**	9,821
Staff advances	**13**	22	**–**	1
Refundable deposits	**862**	487	**–**	–
Deposits for purchase of property, plant and equipment	**107**	227	**–**	–
Other receivables	**6,302**[1]	1,406	**95**	29
	22,770	19,116	**13,321**	12,361
Other receivables (non-current):				
SGD loan to subsidiaries	**–**	–	**5,150**	4,866
Total trade and other receivables (current and non-current)	**22,770**	19,116	**18,471**	17,227
Add: Cash and short-term deposit (Note 19)	**14,820**	12,762	**123**	528
Total loans and receivables	**37,590**	31,878	**18,594**	17,755

[1] Other receivables relate mainly to shareholder loan provided to Ocean Latitude Limited. Loan is repayable within one year.

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
United States Dollar	**702**	249	**–**	–

17. Trade and other receivables (cont'd)

Related party balances and staff advances

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

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

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

The current and non-current SGD loans to subsidiaries comprise the following:

(a) Unsecured 18-years term loan of $6,400,000, bears interest at 0.75% per annum over the Bank's Commercial Financing 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 $586,000, bears interest at 6% per annum and repayable on 27 January 2023. The loan is repayable in one lump sum on the fifth year from its first drawdown.

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

(d) Unsecured loan of $167,000, bears interest at 6% per annum and repayable on demand.

(e) Unsecured loan of $400,000, bears interest at 1.0% per annum and repayable on demand.

(f) Unsecured loan of $1,500,000, bears interest at 4.9% per annum and repayable on demand.

(g) Unsecured loan of $650,000, bears interest at 1.5% per annum over the applicable 3-month SWAP Offer Rate and repayable on demand.

(h) Unsecured loan of $176,000, bears interest at 6% per annum and repayable on demand.

(i) Unsecured loan of $112,000, bears interest at 6% per annum and repayable on demand.

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

17. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

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

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

Trade receivables that are impaired

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

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

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.

18. Inventories

	Group 2018 $'000	Group 2017 $'000
Balance sheet:		
Raw material (at cost)	**469**	253
	469	253
Income statement:		
Inventories recognised as an expense in cost of sales	**11,908**	5,439

19. Cash and short-term deposit

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Cash at banks and on hand	**12,640**	10,582	**123**	528
Short-term deposit – pledged	**2,180**	2,180	**–**	–
Cash and short-term deposit	**14,820**	12,762	**123**	528

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

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

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

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
United States Dollars	**2,182**	1,491	**–**	–
Renminbi	**999**	555	**–**	–

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

	Group 2018 $'000	Group 2017 $'000
Cash at banks and on hand	**12,640**	10,582

20. Share capital

	Group and Company			
	2018		2017	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At beginning of financial year	**694,700**	**78,165**	646,542	74,831
Add: Issue of new shares	**–**	**–**	48,158	3,334
At end of financial year	**694,700**	**78,165**	694,700	78,165

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

21. Treasury shares

	Group and Company			
	2018		2017	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 June	**(11,168)**	**(1,216)**	(13,800)	(1,537)
Acquired during the financial year	**–**	**–**	(1,710)	(155)
Re-issuance of treasury shares	**–**	**–**	4,342	476
Transfer of treasury shares	**5,000**	**544**	–	–
At 31 May	**(6,168)**	**(672)**	(11,168)	(1,216)

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

The Company acquired Nil (2017: 1,710,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $Nil (2017: $155,000) and this was presented as a component within shareholders' equity.

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

22. Other reserves

Other reserves comprise the following:

		Group		Company	
	Note	2018	2017	2018	2017
		$'000	$'000	$'000	$'000
Foreign currency translation reserve	(i)	**1,073**	926	**–**	–
Revaluation reserve	(ii)	**15,216**	5,534	**–**	–
Fair value reserve	(iii)	**289**	370	**289**	370
Capital reserve	(iv)	**(88)**	(88)	**(88)**	(88)
		16,490	6,742	**201**	282

Movements in other reserves are as follows:

(i) Foreign currency translation reserve

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

(ii) Revaluation reserve

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

(iii) Fair value reserve

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

(iv) Capital reserve

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

23. Other liabilities

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Accrued operating expenses	**7,073**	5,721	**2,436**	1,526
Deposits received	**168**	258	**–**	–
Contingent consideration for business combination	**–**	850	**–**	850
Deferred income	**158**	–	**–**	–
	7,399	6,829	**2,436**	2,376
Non-current:				
Deferred income	**2,796**	–	**–**	–
Retention payable	**1,173**	1,868	**–**	–
Rental Amortisation	**348**	200	**–**	–
	4,317	2,068	**–**	–
	11,716	8,897	**2,436**	2,376

<u>Contingent consideration for business combination recognised in the previous financial year</u>

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

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

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

	Group
	$'000
Initial fair value of contingent consideration at acquisition date	385
Fair valur adjusted as at 31 May 2017	465
Financial liability for the contingent consideration as at 31 May 2017	850
Fair value adjustment as at 31 May 2018	(315)
Total consideration paid	535

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

24. Borrowings

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current:				
Bank loan (secured)	**21,876**	7,655	**–**	–
Non-current:				
Bank loan (secured)	**52,911**	49,323	**–**	–
Total borrowings	**74,787**	56,978	**–**	–

The Group's bank borrowings comprise the following:

(i) 5-year RMB bank term loan

The 5-year term loan of RMB 5,067,000 ($1,024,000) 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.

(ii) 18-year SGD commercial property loan

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

Within the facilities, there is an additional Money Market Loan ("MML") of $1,500,000 and a 5-year term loan of $500,000, which bore interest of 2.25% per annum over the Bank's 3-month Cost of Funds or 2.25% per annum over the 3-month SWAP Offer Rate, whichever is higher.

(iii) 5-year SGD commercial property loan

The 5-year SGD commercial property loan of $20,480,000 bore interest at 1.75% per annum over the prevailing 3-month SWAP Offer Rate or 1.75% per annum over the prevailing 3-month Cost of Funds. The loan shall be repaid over 59 fixed monthly instalments and a final lump sum payment on the fifth year from its first drawdown. The term loan is secured by first legal mortgage of the leasehold land, buildings and improvements of a subsidiary and corporate guarantee from the Company. As at 31 May 2018, the loan was due for renewal.

24. Borrowings (cont'd)

(iv) 5-year USD term loan

The 5-year USD term loan of US$4,000,000 ($5,544,000) bore interest at 3.00% per annum over the prevailing 3-month Singapore Inter Bank Offer Rate or 3.00% per annum over the prevailing 3-month Cost of Funds, whichever is the higher. The loan shall be repaid over 13 fixed quarterly instalments and a final lump sum payment on the fifth year from its first drawdown. The term loan is secured by second legal mortgage of the leasehold land, buildings and improvements of a subsidiary and corporate guarantee from a subsidiary.

(v) 8-year SGD commercial property loan

The 8-year SGD commercial property loan of $4,320,000 bore fixed interest at Bank's prevailing Enterprise Financing Rate ("EFR") minus 4.12% for the 1st year and 2nd year and at the prevailing EFR for the subsequent years. The loan shall be repaid over 95 monthly instalments after its first drawdown. The term loan is secured by first legal mortgage of the leasehold land, buildings and improvements of a subsidiary and proportionate corporate guarantee from the Company.

(vi) 15-year SGD term loan

The 15-year SGD term loan of S$36,000,000 bore interest at 1.50% per annum over the applicable 3-month SWAP Offer Rate or at such other rates as the Bank may stipulate from time to time at its absolute discretion. The loan shall have successive interest periods of 3-months except for the last interest period which shall be a period equivalent to the remaining tenor of the term loan. The term loan is for the purpose of financing the proposed development at 39 Benoi Road. The term loan is secured by first legal mortgage of proposed development and leasehold land, buildings and improvements of subsidiary, and corporate guarantee from the Company.

During the previous financial year, the terms of the loan are amended as follows:

(a) 15-year SGD term loan of S$32,400,000 which bore interest at 1.50% per annum over the applicable 3-month SWAP Offer Rate or at such other rates as the Bank may stipulate from time to time at its absolute discretion.

(b) 10-year term loan of S$3,600,000, which bore interest at 1.50% per annum over the applicable 3-month SWAP Offer Rate or at such other rates as the Bank may stipulate from time to time at its absolute discretion. This term loan is for the purpose of financing equipment purchases for 39 Benoi Road.

(vii) 3-year RMB bank term loan

The 3-year term loan of RMB 8,000,000 ($1,617,000) bore interest at 150% of the People's Republic of China's central bank lending rate per annum. The term loan is served by mortgage of land and construction in progress. The first principal instalment will be repayable on the 12th month from the first drawdown date.

24. Borrowings (cont'd)

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

	2017	Cash flows	Acquisition	Foreign Exchange Movement	Other	2018
	$	$	$	$	$	$
Bank loans						
- Current	7,655	(4,583)	–	–	18,804	**21,876**
- Non-current	49,323	22,403	–	(11)	(18,804)	**52,911**
Finance leases						
- Current	3,709	(1,950)	1,364	18	469	**3,610**
- Non-current	454	–	–	15	(469)	**–**
	61,141	15,870	1,364	22	–	**78,397**

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

As at 31 May 2018, all the financial covenants on the above bank borrowings have been fully complied.

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

25. Deferred tax

Deferred tax as at 31 May relates to the following:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred tax liabilities:				
Tax effect of temporary differences in excess of capital allowances	**510**	136	**–**	–
Revaluation gain on property, plant and equipment	**2,967**	1,359	**–**	–
Fair value adjustments on acquisition of subsidiary	**310**	522	**–**	–
Others	**11**	(15)	**–**	–
	3,798	2,002	**–**	–
At 1 June	**2,002**	1,910	**–**	–
Tax (credited)/charged to profit or loss				
- Current year (Note 8(a))	**(309)**	(435)	**–**	–
- Prior years (Note 8(a))	**114**	12	**–**	–
Fair value adjustments on acquisition of subsidiary	**–**	320	**–**	–
Fair value adjustment on property, plant and equipment	**1,980**	207	**–**	–
Others	**11**	(12)	**–**	–
At 31 May	**3,798**	2,002	**–**	–

Unrecognised tax losses

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

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28), as there were no dividends declared during the financial year.

26. 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			
	2018		2017	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	$'000	$'000	$'000	$'000
Not later than one year	**1,484**	**1,386**	1,931	1,772
Later than one year but not later than five years	**2,329**	**2,224**	2,509	2,391
Total minimum lease payments	**3,813**	**3,610**	4,440	4,163
Less: Amounts representing finance charges	**(203)**	**–**	(277)	–
Present value of minimum lease payments	**3,610**	**3,610**	4,163	4,163

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

26. Finance lease liabilities (cont'd)

Obligations under finance lease

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

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

Finance lease	**Group**		**Company**	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Current liabilities	**3,610**	**3,709**	44	64
Non-current liabilities	**–**	**454**	–	–
	3,610	**4,163**	44	64

27. Trade and other payables

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other payables (current):				
Trade payables	**5,161**	3,272	**–**	–
Other payables	**2,648**	3,711	**100**	104
Amounts due to subsidiaries	**–**	–	**3,170**	1,944
Amount due to associate	**5**	–	**–**	–
Loan from subsidiary	**–**	–	**15,878**	16,729
Loans from non-controlling interests	**595**	611	**–**	–
	8,409	7,594	**19,148**	18,777
Total trade and other payables	**8,409**	7,594	**19,148**	18,777
Add: Borrowings (Note 24)	**74,787**	56,978	**–**	–
Finance lease liabilities (Note 26)	**3,610**	4,163	**44**	64
Other liabilities (Note 23)	**8,414**	7,847	**2,436**	1,526
Less: Accrual for unutilised leave	**(119)**	(108)	**(27)**	(27)
Total financial liabilities carried at amortised cost	**95,101**	76,474	**21,601**	20,340

27. 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.

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollars	**175**	84	**–**	–
Renminbi	**4,200**	2,618	**–**	–

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

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

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

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

28. Dividend

	Group	
	2018	**2017**
	$'000	**$'000**
Declared and paid during the financial year		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2017: $Nil (2016: $0.60 cent) per ordinary share	**–**	3,795

29. 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	
	2018	**2017**
	$'000	**$'000**
Capital commitments in respect of leasehold properties	**–**	22,673
Capital commitments in respect of construction of a ready-mix plant	**–**	493
Capital commitments in respect of property, plant and equipment	**1,908**	1,349

(b) *Operating lease commitments - as lessee*

In addition to the land use rights disclosed in Note 11, the Group's existing operating lease payments mainly represent rentals payable by the Group for its leasehold premises, offices and warehouses in Singapore located at No. 1 Jalan Besut, No. 6 Pioneer Walk, No. 39 Benoi Road, No. 30 Pioneer Road and 7 Kwong Min Road. The properties located at No. 1 Jalan Besut, No. 6 Pioneer Walk, No. 39 Benoi Road and 7 Kwong Min Road are leased from Jurong Town Corporation ("JTC") for a period of 25, 22, 17 and 12 years respectively, while the property located at 30 Pioneer Road is leased from Viva Industrial Real Estate Investment Trust for a period of 5 years.

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

Minimum lease payments, including amortisation of land use rights recognised as an expense in profit or loss for the financial year ended 31 May 2018 amounted to $7,218,000 (2017: $9,123,000).

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

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	**6,125**	7,207
Later than one year but not later than five years	**14,565**	20,423
Later than five years	**20,805**	23,492
	41,495	51,122

29. Commitments (cont'd)

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

Operating lease income mainly represents rental receivables by the Group from the provision of warehousing at No. 1 Jalan Besut, No. 6 Pioneer Walk, No. 39 Benoi Road, 7 Kwong Min Road in Singapore and No. 338 Yesheng Road in Shanghai, People's Republic of China. These non-cancellable leases have remaining lease terms of between 1 month and 7 years (2017: 1 month and 8 years).

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

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	**2,606**	1,167
Later than one year but not later than five years	**4,463**	3,795
Later than five years	**1,512**	2,448
	8,581	7,410

30. 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.

30. 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 2018 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$'000	$'000	$'000	$'000
Recurring fair value measurements				
Assets				
Financial assets				
Available-for-sale investments				
- Quoted equity shares	640	–	–	640
Non-financial assets				
Property, plant and equipment				
- Leasehold land, buildings and improvements	–	–	73,000[(1)]	73,000

(1) Pertains to leasehold building located at No 39 Benoi Road. The Group has engaged Knight Frank Pte Ltd to determine the fair value of the property due to the completion of construction during the financial year. The date of the valuation was 28 November 2017.

The Group had not performed any further revaluations for the leasehold land and buildings located at No. 1 Jalan Besut, 6 Pioneer Walk, 7 Kwong Min Road and No. 338 Yesheng Road, Yangshan Free Trade Port Area, Pudong District, Shanghai in the current financial year, because the fair values and carrying values do not differ significantly, as determined by the directors as at financial year end. The last external valuations were performed as at 31 May 2017.

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

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

	Group 2017 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$'000	$'000	$'000	$'000
Recurring fair value measurements				
Assets				
Financial assets				
Available-for-sale investments				
- Quoted equity shares	697	–	–	697
Non-financial assets				
Property, plant and equipment				
- Leasehold land, buildings and improvements	–	–	54,984[(1)]	54,984
Liabilities				
Financial liabilities				
Contingent consideration for business combination	–	–	850	850

(1) The Group engaged an independent external valuer to determine the fair value of leasehold land, buildings and improvements located at No. 1 Jalan Besut, 6 Pioneer Walk, 7 Kwong Min Road and 338 Yesheng Road, Yangshan Free Trade Port Area, Pudong District, Shanghai, in the previous financial year. Fair values are determined by reference to market based evidence. Based on the external valuations performed as at 31 May 2017, the carrying amounts of the leasehold buildings and improvements approximate the fair values.

30. 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 2018 $'000	Fair value at 31 May 2017 $'000	Valuation techniques	Key unobservable Inputs	Range
Recurring fair value measurements					
Leasehold land, buildings and improvements	–[1]	17,184	Comparative method	Market rent per square metre per day	RMB 1.30
	–[1]	29,000	Comparative method	Adjusted gross floor area price per square metre[3]	$1,226 - $1,736
	–[1]	3,500	Comparative method	Adjusted gross floor area price per square metre[3]	$625 - $999
	73,000[2]	–	Comparative method	Adjusted gross floor area price per square feet[3]	$113 - $199
	–[1]	5,300	Comparative method	Adjusted gross floor area price per square feet[3]	$113 - $199
Contingent consideration for business combination	–	850	Discounted cash flow	Probability of meeting contractual earnings target	95% - 100%

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

(2) Pertains to the property at 39 Benoi Road. The Group engaged an independent external valuer to determine the fair value of the leasehold land, buildings and improvements located at No. 39 Benoi Road.

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

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

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

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

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

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

	Group 2018 $'000 Fair value measurements using significant unobservable inputs (Level 3)	
	Leasehold land, buildings and improvements	**Contingent consideration**
Opening balance	**71,005**	**850**
Additions	**3,409**	**–**
Reclassification	**37,721**	**–**
Depreciation	**(4,496)**	**–**
Depreciation capitalised	**(634)**	**–**
Revaluation gain	**11,641**	**–**
Fair value adjustment	**–**	**(315)**
Transfer of treasury shares	**–**	**(544)**
Exchange differences	**454**	**–**
Others	**–**	**9**
Closing balance	**119,100**	**–**

The depreciation of $4,496,000 have been recognised and included in "Cost of sales" line item in the Group's profit or loss.

	Group 2017 $'000 Fair value measurements using significant unobservable inputs (Level 3)	
	Leasehold land, buildings and improvements	**Contingent consideration**
Opening balance	75,336	385
Additions	1	–
Depreciation	(3,497)	–
Depreciation capitalised	(1,522)	–
Revaluation gain	1,217	–
Fair value adjustment	–	465
Exchange differences	(530)	–
Closing balance	71,005	850

The depreciation of $3,497,000 have been recognised and included in "Cost of sales" line item in the Group's profit or loss.

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

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

(iii) Valuation policies and procedures

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

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

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

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

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

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

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

31. Financial risk management objectives and policies

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

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- an amount of $85,915,000 (2017: $70,919,000) relating to corporate guarantees provided by the Company to the financial institutions on its subsidiaries; borrowings and other banking facilities.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade and other receivables).

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

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

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

	One year or less $'000	One to five years $'000	Total $'000
Group			
2018			
Financial assets:			
Trade and other receivables	22,770	–	22,770
Cash and short-term deposit	14,820	–	14,820
Total undiscounted financial assets	37,590	–	37,590
Financial liabilities:			
Borrowings	21,876	55,392	77,268
Amount due to associate	5	–	5
Loans from non-controlling interests	595	–	595
Trade and other payables	7,809	–	7,809
Other liabilities	7,241	1,173	8,414
Finance lease liabilities	1,484	2,329	3,813
Total undiscounted financial liabilities	39,010	58,894	97,904
Total net undiscounted financial liabilities	(1,420)	(58,894)	(60,314)

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

(b) Liquidity risk (cont'd)

	One year or less $'000	One to five years $'000	Total $'000
Group			
2017			
Financial assets:			
Trade and other receivables	19,116	–	19,116
Cash and short-term deposit	12,762	–	12,762
Total undiscounted financial assets	31,878	–	31,878
Financial liabilities:			
Borrowings	8,756	52,573	61,329
Loans from non-controlling interests	611	–	611
Trade and other payables	6,983	–	6,983
Other liabilities	5,979	1,868	7,847
Finance lease liabilities	1,931	2,509	4,440
Total undiscounted financial liabilities	24,260	56,950	81,210
Total net undiscounted financial assets/(liabilities)	7,618	(56,950)	(49,332)

	One year or less $'000	One to five years $'000	Total $'000
Company			
2018			
Financial assets:			
Trade and other receivables	**13,321**	**5,150**	**18,471**
Cash and short-term deposit	**123**	**–**	**123**
Total undiscounted financial assets	**13,444**	**5,150**	**18,594**
Financial liabilities:			
Trade and other payables	**19,148**	**–**	**19,148**
Other liabilities	**2,436**	**–**	**2,436**
Finance lease liabilities	**22**	**24**	**46**
Total undiscounted financial liabilities	**21,606**	**24**	**21,630**
Total net undiscounted financial (liabilities)/assets	**(8,162)**	**5,126**	**(3,036)**

31. 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			
2017			
Financial assets:			
Trade and other receivables	12,361	4,866	17,227
Cash and short-term deposit	528	–	528
Total undiscounted financial assets	12,889	4,866	17,755
Financial liabilities:			
Trade and other payables	18,777	–	18,777
Other liabilities	1,526	–	1,526
Finance lease liabilities	22	46	68
Total undiscounted financial liabilities	20,325	46	20,371
Total net undiscounted financial (liabilities)/assets	(7,436)	4,820	(2,616)

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.

	2018 $'000				2017 $'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	**23,193**	**40,044**	**11,094**	**74,331**	11,439	33,954	15,874	61,267

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Singapore Dollar (SGD), and Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly USD.

The Group also holds cash denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including People's Republic of China (PRC) and Indonesia (IND). The Group's net investments in PRC and IND are not hedged as currency positions in RMB and IND are considered to be long-term in nature.

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

(c) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD exchange rates against the functional currency of the Group entities, with all other variables held constant.

	Group Loss before tax	
	2018 **$'000**	**2017** **$'000**
Against SGD		
USD - Strengthened 3% (2017: 3%)	**(175)**	(34)
Weakened 3% (2017: 3%)	**175**	34

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to subsidiaries and loans from non-controlling interests. The Group does not hedge its fixed rate loans and borrowings.

The Group and Company manage its exposure to interest risk by sourcing for the most favourable interest rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 75 basis points lower/higher with all other variables held constant, the Group's loss before tax would have been $421,000 lower/higher, 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.

For the previous financial year, if SGD interest rates had been 75 basis points lower/higher with all other variables held constant, the Group's loss before tax would have been $390,000 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.

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

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the Singapore Exchange Securities Trading Limited ("SGX") and the Australian Securities Exchange ("ASX") and are classified as 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% (2017: 5%) higher or lower with all other variables held constant, the Group fair value adjustments reserve in equity/other comprehensive income would have been $27,000 (2017: $29,000) higher or lower, arising as a result of an increase or decrease in the fair value of equity instruments classified as available-for-sale.

32. 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 2018 and 31 May 2017.

One of the externally imposed capital requirements for the Group to maintain its listing on the Singapore Stock Exchange is to have share capital with at least a free float of at least 10% of the shares. Management receives a report from the registrars regularly on substantial share interests showing the non-free float and it demonstrated continuing compliance with the 10% limit throughout the year.

The Company and certain subsidiaries of the Group are subject to financial covenants for credit facilities provided by banks as disclosed in Note 24. These externally imposed capital requirements have been complied with by the Company and the subsidiaries for the financial years ended 31 May 2018 and 31 May 2017.

32 Capital management (cont'd)

The Group monitors the capital using a gearing ratio, which is debt divided by total equity. The Group's debts include borrowings, finance lease liabilities and loans from non-controlling interests.

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Debt	**78,992**	61,752	**44**	64
Total equity	**88,265**	88,264	**52,920**	60,165
Total equity and debt	**167,257**	150,016	**52,964**	60,229
Gearing ratio	**47.2%**	41.2%	**0.08%**	0.11%

33. 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.

33. Segment information (cont'd)

	Investment holding $'000	Third party logistics $'000	Shipping logistics (discontinued operation) $'000	Infrastructural logistics $'000	Eliminations $'000	Total $'000
31 May 2018						
Revenue						
- External customers	–	53,278	–	18,186	–	71,464
- Inter-segment [(1)]	–	262	–	–	(262)	–
Total revenue	–	53,540	–	18,186	(262)	71,464
Results:	(133)	6,701	–	3,318	(2,115)	7,771
Depreciation and amortisation	(88)	(6,361)	–	(983)	–	(7,432)
Allowance for doubtful trade receivables	–	(8)	–	–	–	(8)
Bad debts charged	–	(2)	–	–	–	(2)
Loss on disposal of investment in joint venture	–	–	(4,823)	–	–	(4,823)
Property, plant and equipment written off	–	(6)	–	–	–	(6)
Impairment of investments in subsidiaries	(7,602)	–	–	–	7,602	–
Impairment of available-for-sale investments	(35)	–	–	–	–	(35)
Gain on disposal of property, plant and equipment	–	202	–	–	–	202
Share of results of associates	–	(337)	–	–	–	(337)
Share of results of joint venture	–	–	(2,651)	–	–	(2,651)
Dividend income	490	–	–	–	(490)	–
Interest income	–	512	–	1	(484)	29
Finance costs	(486)	(1,866)	–	(234)	641	(1,945)
Segment loss/(profit)	(7,854)	(1,165)	(7,474)	2,102	5,154	(9,237)
Tax expense						(963)
Loss for the year						(10,200)
Assets:						
Investments in associates	2,505	–	–	–	–	2,505
Additions to non-current assets [(2)]	74	21,045	–	474	–	21,593
Segment assets [(3)]	74,548	176,575	7,408	16,956	(84,031)	191,456
Segment liabilities [(3)]	5,750	103,904	5,347	8,311	(24,790)	98,522
Unallocated liabilities:						
Tax payable						871
Deferred tax liabilities						3,798
Total liabilities						103,191

(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.

33. Segment information (cont'd)

	Investment holding $'000	Third party logistics $'000	Shipping logistics (discontinued operation) $'000	Infrastructural logistics $'000	Eliminations $'000	Total $'000
31 May 2017						
Revenue						
- External customers	–	47,921	–	8,209	–	56,130
- Inter-segment [1]	–	294	–	–	(294)	–
Total revenue	–	48,215	–	8,209	(294)	56,130
Results:	(1,723)	7,732	(35)	1,097	(1,485)	5,586
Depreciation and amortisation	(63)	(5,198)	–	(949)	–	(6,210)
Reversal of allowance for doubtful trade receivables	–	16	–	–	–	16
Gain from disposal of available-for-sale investments	8	–	–	–	–	8
Bad debts (charged)/reversed	–	(112)	–	–	93	(19)
Impairment of available-for-sale investments	(92)	–	–	–	–	(92)
Gain on disposal of property, plant and equipment	1	88	–	–	–	89
Share of results of associates	–	7	–	–	–	7
Share of results of joint venture	–	–	(41)	–	–	(41)
Dividend income	331	–	–	–	(331)	–
Interest income	–	534	–	2	(460)	76
Finance costs	(463)	(1,490)	–	(194)	610	(1,537)
Segment loss/(profit)	(2,001)	1,577	(76)	(44)	(1,573)	(2,117)
Tax credit						267
Profit for the year						(1,850)
Assets:						
Investments in joint venture	–	–	9,228	–	–	9,228
Investments in associates	2,818	–	–	–	–	2,818
Additions to non-current assets [2]	36	26,054	–	1,776	–	27,866
Segment assets [3]	81,382	147,340	13,914	14,569	(87,093)	170,112
Segment liabilities [3]	4,490	82,519	3,906	7,674	(20,957)	77,632
Unallocated liabilities:						
Tax payable						2,214
Deferred tax liabilities						2,002
Total liabilities						81,848

(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.

33. 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]	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**52,270**	46,973	**122,813**	97,618
People's Republic of China	**19,194**	9,157	**26,889**	26,907
	71,464	56,130	**149,702**	124,525

(4) Non-current assets information presented above consist of property, plant and equipment, land use rights and intangible assets as presented in the consolidated balance sheet.

Information about major customer

Revenue from one major customer amount to $12,187,000 (2017: S$8,399,000) for the financial year ended 2018, arising from sales by the third party logistics segment.

34. 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	
	2018	**2017**
	$'000	**$'000**
Lease of warehouse space to an associate	**1,285**	1,277

34. Related party transactions (cont'd)

(b) Key management compensation

	Group	
	2018	2017
	$'000	$'000
Directors of the Company		
- Salaries, fees and benefits-in-kind	**962**	954
- Contribution to defined contribution plans	**47**	38
Directors of subsidiaries		
- Salaries, fees and benefits-in-kind	**1,192**	1,354
- Contribution to defined contribution plans	**70**	96
Other key management personnel		
- Salaries, fees and benefits-in-kind	**387**	486
- Contribution to defined contribution plans	**43**	59

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.

35. Events occurring after the reporting period

On 8 August 2018, the Company has entered into a Sale and Purchase Agreement ("SPA") with Hung Lin Holding Ltd. ("Purchaser"), for the sale of the Company's entire shareholding in GKE Metal Logistics Pte. Ltd. ("GKE Metal"), being 521,704 shares representing 49% of the total share capital of GKE Metal, to the Purchaser. The completion of the sale has simultaneously taken place on 8 August 2018 pursuant to the terms set out in the SPA.

36. Discontinued operations and disposal of Joint Venture

On 31 May 2018, the Group completed the divestment of the Group's 50% stake in Ocean Latitude (Note 15) to Sunrise Marine Limited (the Group's Joint Venture Partner), for a cash consideration of US$1,080,000. Ocean Latitude thereafter ceased to be a joint venture of the Group.

As at 31 May 2018, the results of Ocean Latitude have been presented separately in the consolidated income statement as a discontinued operation. The comparative figures have been re-presented to report separately profit or loss items from continuing and discontinued operations.

36. Discontinued operations and disposal of Joint Venture (cont'd)

Income statement disclosures

The results of Ocean Latitude for the years ended 31 May are as follows:

	Group	
	2018	2017
	S$'000	S$'000
Share of results	**(2,651)**	(41)
Loss on disposal of joint venture	**(4,823)**	–
Loss from discontinued operation, net of tax	**(7,474)**	(41)

Loss per share disclosures

	Group	
	2018	2017
Loss per share from discontinued operation attributable to owners of the Company (cents per share)		
- Basic and diluted (cents per share)	**(1.09)**	(0.01)

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These loss and share data are presented in the tables in Note 9(a).

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 May 2018 were authorised for issue in accordance with a resolution of the Directors on 28 August 2018.

STATISTICS OF SHAREHOLDINGS

as at 17 August 2018

Class of shares	:	**Ordinary shares**
No. of shares (excluding treasury shares)	:	**688,531,890**
Voting rights	:	**One vote per share**

As at 17 August 2018, the total number of treasury shares held is 6,168,650 (0.89%) and the number of subsidiary holdings held is nil.

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	Percentage (%)	Number of Shares	Percentage (%)
1 - 99	5	0.30	82	0.00
100 - 1,000	36	2.15	25,990	0.00
1,001 - 10,000	393	23.49	2,998,915	0.44
10,001 - 1,000,000	1,185	70.83	115,665,101	16.80
1,000,001 and above	54	3.23	569,841,802	82.76
TOTAL	1,673	100.00	688,531,890	100.00

TWENTY LARGEST SHAREHOLDERS

No	Name of Shareholder	Number of Shares Held	Percentage (%)*
1	UOB Kay Hian Pte Ltd	72,349,314	10.51
2	Chen Yong Hua	67,200,000	9.76
3	Qian Wen Hua	56,760,000	8.24
4	Spencer Tuppani (deceased)	48,158,250	6.99
5	Citibank Nominees Singapore Pte Ltd	39,374,500	5.72
6	Chen Jiangnan	33,055,700	4.80
7	DBS Nominees Pte Ltd	30,045,000	4.36
8	Neo Cheow Hui	27,445,300	3.99
9	Neo Hwee Lee	21,085,000	3.06
10	Wang Jianping	18,897,200	2.74
11	Neo Hwee Hoon	15,186,000	2.20
12	Raffles Nominees (Pte) Ltd	11,783,800	1.71
13	Tan Geok Choo	9,127,300	1.33
14	Maybank Kim Eng Securities Pte Ltd	7,683,500	1.12
15	Chai Hwee Hoon Doreen	7,000,000	1.02
16	Tan Ai Meng	6,834,900	0.99
17	Hong Leong Finance Nominees Pte Ltd	6,579,900	0.96
18	Kek Sin Shen Steve	6,530,700	0.95
19	OCBC Securities Private Limited	6,108,700	0.89
20	STF Investments Ltd	5,080,000	0.74
		496,285,064	72.08

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary excluding the treasury shares and subsidiary holdings.

STATISTICS OF SHAREHOLDINGS

as at 17 August 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Number of Shares			
	Direct Interest	%	Deemed Interest	%
Chen Yong Hua	67,200,000	9.76	–	–
Qian Wen Hua	56,760,000	8.24	–	–
Spencer Tuppani (deceased)	48,158,250	6.99	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 17 August 2018, 66.01% of the Company's shares are held in the hand of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual - Section B: Rules of Catalist of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of GKE Corporation Limited ("**Company**") will be held at 39 Benoi Road #06-01 Singapore 627725 on Friday, 28 September 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 31 May 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$156,000 for the financial year ended 31 May 2018. (2017: S$148,000) **(Resolution 2)**

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

   Mr. Neo Cheow Hui **(Resolution 3)**
   Ms. Qian Wen Hua **(Resolution 4)**

4. To re-appoint 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 5)**

5. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

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

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

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

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

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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

("**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued 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 and Subsidiary Holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (i)] **(Resolution 6)**

7. Proposed renewal of Share Purchase Mandate

THAT:

(a) for the purposes of the Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued and fully-paid ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:-

(i) on-market purchase(s) (each a "**Market Purchase**") on the SGX-ST through the ready market, through one (1) or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") effected pursuant to an equal access scheme or schemes as defined in Section 76C of the Act as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Catalist Rules;

be and is hereby authorised and approved generally and unconditionally ("**Share Purchase Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Act;

(c) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:-

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or

(iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(d) in this Resolution:-

"**Maximum Limit**" means the number of Shares representing not more than ten per cent. (10%) of the total number of Shares as at the date of the passing of this Resolution, unless the Company has, at any time during the Relevant Period (as hereafter defined), effected a reduction of its share capital in accordance with the applicable provisions of the Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the capital reduction (excluding any Shares which are held as treasury shares as at that date);

"**Relevant Period**" means the period commencing from the date on which the last AGM of the Company was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution is passed;

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for the Share purchased or acquired pursuant to the Share Purchase Mandate, as determined by the Directors, which shall not exceed:-

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price of the Shares,

where:-

"**Average Closing Price**" means the average of the closing market prices of a Share over the five (5) consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company and deemed to be adjusted in accordance with the Catalist Rules for any corporate action which occurs after the relevant five (5) day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the SGX-ST on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"**date of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (ii)] **(Resolution 7)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 12 September 2018

Explanatory Notes:

(i) Resolution 6, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and Subsidiary Holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(ii) Resolution 7 above, if passed, will empower the Directors of the Company to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Purchase Mandate. This authority will continue in force until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting or the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated, whichever is the earlier. Information relating to this proposed Resolution is set out in the Addendum dated 12 September 2018 (in relation to the proposed renewal of the Share Purchase Mandate) attached to the Company's Annual Report 2018.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM ("**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. Where a member (other than a Relevant Intermediary) appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

4. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 39 Benoi Road #06-01 Singapore 627725 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

GKE CORPORATION LIMITED

(Company Registration No. 200001941G)
(Incorporated In the Republic of Singapore)

ANNUAL GENERAL MEETING
PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

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

of ____ (Address)

being a member/members of **GKE CORPORATION LIMITED** ("**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting ("**Meeting**") of the Company to be held at 39 Benoi Road #06-01 Singapore 627725 on Friday, 28 September 2018 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

No.	**Resolutions relating to:**	**No. of votes 'For'****	**No. of votes 'Against'****
Ordinary Business			
1	Audited Financial Statements for the financial year ended 31 May 2018		
2	Approval of Directors' fees amounting to S$156,000 for the financial year ended 31 May 2018		
3	Re-election of Mr. Neo Cheow Hui as a Director		
4	Re-election of Ms. Qian Wen Hua as a Director		
5	Re-appointment of Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
6	Authority to allot and issue shares		
7	Renewal of Share Purchase Mandate		

*** Voting will be conducted by poll. If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this __________ day of ________________ 2018

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

____

Signature of Shareholder(s)
and/or, Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 39 Benoi Road #06-01 Singapore 627725 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fi t to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 September 2018.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Chen Yong Hua
Executive Chairman and
Executive Director

Mr. Neo Cheow Hui
Chief Executive Officer and
Executive Director

Ms. Qian Wen Hua
Executive Director

Mr. Er Kwong Wah
Lead Independent Director

Mr. Andrew Chua Thiam Chwee
Independent Director

Mr. Ho Ying Ming
Independent Director

Mr. Liu Ji Chun
Non-Executive and
Non-Independent Director

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

39 Benoi Road #06-01
Singapore 627725
Tel: (65) 6261 7770
Fax: (65) 6266 2557
Website: www.gke.com.sg

COMPANY SECRETARY

Ms. Shirley Tan Sey Liy (ACS)

SHARE REGISTRAR

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

AUDITOR

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

Partner-in-charge: Mr. Tan Soon Seng
Date of appointment: 01 August 2015

CONTINUING SPONSOR

RHT Capital Pte. Ltd.
9 Raffles Place, #29-01
Republic Plaza Tower 1
Singapore 048619
Tel: (65) 6381 6757

Registered Professional:
Mr. Nathaniel C.V.

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

DBS Bank
12 Marina Boulevard
MBFC Tower 3
Singapore 018982

CORPORATION LIMITED

(Company Registration No.: 200001941G)

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