GKE INTERNATIONAL LIMITED

UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 NOVEMBER 2007

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 NOVEMBER 2007

	Group		
	30-Nov-07	30-Nov-06	Change
	$'000	$'000	%
Revenue	13,420	11,199	20
Cost of sales	(8,568)	(8,440)	2
Gross profit	4,852	2,759	76
Financial income (a)	267	24	1,013
Financial expense (b)	(339)	(172)	97
Distribution expenses	(63)	(39)	62
Administrative expenses	(2,359)	(2,206)	7
Other credits / (charges) (c)	32	209	(85)
Profit before income tax	2,390	575	316
Income tax expense	(420)	(164)	156
Profit for the period	1,970	411	379
Attributable to:			
Equity holders of the Company	1,938	312	521
Minority interests	32	99	(68)
	1,970	411	379

1(a)(ii) Notes to the Income Statements
Other disclosure items included in the above statement

	Group	
	30-Nov-07	30-Nov-06
	$'000	$'000
(a) Financial income		
Foreign exchange transaction gain	-	5
Interest income – bank	26	8
Interest income – related party	66	-
Reversal of allowance for impairment on trade receivables	7	3
Trade payable written back	168	8
	267	24

	Group	
	30-Nov-07	30-Nov-06
	$'000	$'000
(b) <u>Financial expense</u>		
Bad debts written off	-	(1)
Foreign exchange adjustment losses	(171)	-
Interest expense – bank overdraft	(3)	(36)
Interest expense – hire purchase	(39)	(27)
Interest expense – term loan	(126)	(101)
Allowance for impairment on trade receivables	-	(7)
	(339)	(172)

	Group	
(c) <u>Other credits/(charges)</u>		
Gain on disposal of plant & equipment	32	115
Gain on dilution of investment	-	2
Gain on partial disposal of investment	-	5
Insurance claims recovery	-	87
Others	-	6
Pre-operating expenses written off	-	(6)
	32	209

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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	30-Nov-07	31-May-07	30-Nov-07	31-May-07
	$'000	$'000	$'000	$'000
ASSETS				
Current assets:				
Cash and cash equivalents	5,181	3,273	1,650	467
Trade and other receivables	8,628	8,389	364	521
Total current assets	13,809	11,662	2,014	988
Non-current assets:				
Investment in subsidiaries	-	-	15,201	13,627
Property, plant and equipment	21,945	22,733	196	221
Long-term receivables	-	-	1,470	2,230
Goodwill	938	938	-	-
Total non-current assets	22,883	23,671	16,867	16,078
Total assets	**36,692**	**35,333**	**18,881**	**17,066**
LIABILITIES AND EQUITY				
Current liabilities:				
Trade and other payables	3,976	3,660	441	470
Short-term borrowings	198	166	-	-
Short-term portion of long-term borrowings – bank	3,337	4,020	-	-
Current portion of finance leases	539	1,460	30	30
Current tax payable	679	520	(7)	(3)
Total current liabilities	8,729	9,826	464	497
Non-current liabilities:				
Finance leases	988	370	80	95
Deferred tax liabilities	466	423	-	-
Total non-current liabilities	1,454	793	80	95
Total liabilities	**10,183**	**10,619**	**544**	**592**
Equity attributable to equity holders of the parent:				
Share capital	16,806	16,806	16,806	16,806
Other reserves	11	162	-	-
Retained earnings / (accumulated losses)	8,817	6,879	1,531	(332)
	25,634	23,847	18,337	16,474
Minority interest	875	867	-	-
Total equity	26,509	24,714	18,337	16,474
Total liabilities and equity	**36,692**	**35,333**	**18,881**	**17,066**

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1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

30-Nov-07		31-May-07	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
4,074	-	5,646	-

Amount repayable after one year

30-Nov-07		31-May-07	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
988	-	370	-

Details of any collateral

i) Finance leases are entered into for certain plants & equipment that are secured by the lessor's charge over the leased assets.

ii) First legal mortgage over No. 102 Xingang Avenue, Logistics Park, Tianjin Port Free Trade Zone, Tianjin, Republic of China.

iii) Secured by Corporate Guarantee from GKE International Limited

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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	30-Nov-07	30-Nov-06
	$'000	$'000
Cash flows from operating activities		
Profit for the period	1,970	411
Add / (less) adjustments for:		
Income tax expense	420	164
Depreciation of property, plant and equipment	1,093	1,046
Gain on disposal of plant and equipment	(32)	(115)
Gain on dilution of investment	-	(2)
Gain on partial disposal of investment	-	(5)
Interest expense	168	164
Interest income	(92)	(8)
Operating profit before working capital changes	3,527	1,655
Decrease in fixed deposit with maturity over 3 months	-	12
Trade and other receivables	(239)	(3,210)
Trade and other payables	316	661
Cash generated from / (used in) from operations	3,604	(882)
Income tax paid	(218)	(149)
Net cash generated from / (used in) operating activities	3,386	(1,031)
Cash flows from investing activities		
Acquisition of remaining shares in a subsidiary company	(5)	-
Proceeds from partial disposal of investment	-	13
Proceeds from disposal of property, plant & equipment	63	165
Purchase of property, plant and equipment	(565)	(1,753)
Interest received	92	8
Net cash used in investing activities	(415)	(1,567)
Cash flows from financing activities		
Capital contribution from minority shareholders	-	837
Repayment of bank borrowings	(683)	(44)
Repayment of finance leases	(303)	(309)
Interest paid	(168)	(164)
Net cash (used in) / generated from financing activities	(1,154)	320

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	Group	
	30-Nov-07	30-Nov-06
	$'000	$'000
Net effect of exchange rate changes in consolidating foreign subsidiaries	59	(20)
Net increase / (decrease) in cash and cash equivalents	1,876	(2,298)
Cash and cash equivalents at beginning of the year	3,107	3,027
Cash and cash equivalents at end of year	4,983	729

Notes to the consolidated cash flow statement :

Cash and cash equivalents :		
Cash and bank balances	5,181	1,588
Bank overdrafts	(198)	(859)
Cash and cash equivalents at end of year	4,983	729

Non-cash transactions - Additions to plant and equipment during the period ended 30 November 2007 amounting to approximately $NIL (30 November 2006: $907,000) were financed by new finance leases.

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Share capital $'000	(a) Asset revaluation reserves $'000	Retained earnings $'000	(a) Foreign currency translation reserves $'000	Attributable to equity holders of the company $'000	Minority interests $'000	Total equity $'000
Balance at 1 June 2006	15,486	-	5,438	(194)	20,730	416	21,146
Foreign currency translation differences	-	-	-	(15)	(15)	(21)	(36)
Net expense recognised directly in equity	-	-	-	(15)	(15)	(21)	(36)
Profit for the period	-	-	312	-	312	99	411
Total recognised income and expense for the year	-	-	312	(15)	297	78	375
Capital contribution by minority shareholders	-	-	-	-	-	850	850
Balance at 30 November 2006	15,486	-	5,750	(209)	21,027	1,344	22,371
Balance at 1 June 2007	16,806	256	6,879	(94)	23,847	867	24,714
Foreign currency translation differences	-	-	-	(151)	(151)	(19)	(170)
Net expense recognised directly in equity	-	-	-	(151)	(151)	(19)	(170)
Profit for the period	-	-	1,938	-	1,938	32	1,970
Total recognised income and expense for the year	-	-	1,938	(151)	1,787	13	1,800
Acquisition of remaining shares in a subsidiary company	-	-	-	-	-	(5)	(5)
Balance at 30 November 2007	16,806	256	8,817	(245)	25,634	875	26,509

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Company	Share capital $'000	Retained earnings / (accumulated losses) $'000	Total equity $'000
Balance at 1 June 2006	15,486	(91)	15,395
Loss for the period	-	(49)	(49)
Balance at 30 November 2006	15,486	(140)	15,346
Balance at 1 June 2007	16,806	(332)	16,474
Profit for the period	-	1,863	1,863
Balance at 30 November 2007	16,806	1,531	18,337

(a) Unrealised and not available for distribution as cash dividends.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for the current period as those for the audited financial statements for the year ended 31 May 2007, as disclosed in para 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the new Singapore Financial Reporting Standards that are mandatory for the financial year beginning on or after 1 June 2007. The new standards did not require any material modification of the measurement method or the presentation of the financial statements.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	30-Nov-07	30-Nov-06
Basic earnings per share based on the weighted average number of ordinary shares on issue (cents)*	1.04	0.18
On a fully diluted basis (cents)*	1.04	0.18

*The calculation of basic earnings per share is calculated based on the net profit attributable to equity holders of the Company for the period of $1,938,000 (30 November 2006: $312,000) divided by the weighted average number of ordinary shares in issue during the period of 187,000,000 (30 November 2006: 176,000,000).

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30-Nov-07	31-May-07	30-Nov-07	31-May-07
Net asset value per ordinary share based on issued share capital at the end of the financial year (cents)	13.71	12.75	9.81	8.80

The net asset value per ordinary share is computed based on the issued and paid-up capital of 187,000,000 ordinary shares as at 30 November 2007 (187,000,000 ordinary shares as at 31 May 2007).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

The Group generated a higher revenue of $13.4 million in the 1HFY2008, an increase of 20% as compared to $11.2 million in the previous corresponding period. This improvement was led by our metal logistics business, which recorded an increase in revenue of $1.1 million, having been driven by a higher volume of metal storage and related metal transportation charges. Our general logistics business recorded an equivalent increase in revenue of $1.1 million, namely the transportation, freight divisions and contributions from our overseas subsidiaries amidst a marginal decline in our general warehousing division.

The Group's gross profit margin improved from 25% to 36% due to improved contribution from both metal logistics and general logistics businesses. The metal logistics business gross profit margin improved due to a higher volume of metal storage. The general logistics business gross profit margin improved mainly due to higher utilisation of warehousing storage recorded in both our local and overseas warehouses as well as more favourable rates in the transportation divisions.

General and administrative expenses have increased from $2.21 million to $2.36 million. Salaries and operating expenses were higher than the previous corresponding period attributed mainly to a relatively shorter corresponding period of operations in our Tianjin subsidiary when it just commences operations.

The profit increase was partly attributed to a gain from write-back of trade payables and higher interest income in 1HFY2008. It was, however, offset by higher foreign exchange loss resulting from the weakening of United States Dollars and a decline in the gain derived from fixed assets disposal.

The effective tax rate is slightly less than the statutory tax rate mainly due to availability of tax exemption and tax losses utilisation of overseas entity's against overseas profit and partially offset by the Group's non-tax deductible items and expenses. In the previous corresponding period, the effective tax rate was higher than the statutory tax rate mainly due to losses incurred by overseas entity which were not available for utilisation against the overall Group's taxable profit and attribution to the Group's non-tax deductible items and expenses.

The Group's cash and cash equivalent holdings increased mainly due to improved cash flows generated from operations and higher profitability. It was partially offset by fixed assets replenishment and asset financing repayment to financial institutions.

The increase in non-current liabilities of $0.7 million was attributed to a reclassification of non-current portion of finance leases from current liabilities, after rectification of a breach in a finance lease agreement with the bank concerned (as previously disclosed in Note 13 to the financial statements for the year ended 31 May 2007) and having obtained the grant of an indulgence for rectification from the said bank.

Total group liabilities have decreased by $0.4 million mainly due to repayment of bank borrowings and finance leases.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement had been previously disclosed to shareholders.

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10. A commentary at the date of the announcement of the competitive of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group expects market conditions to remain competitive for the next 12 months as the Group has witnessed a recent dip in metal storage coupled with an anticipation of a surge in new warehousing facilities to be launched in the market.

The Group will continue to strengthen and develop its core metal logistics and general logistics business and explore suitable investment platform which will provide attractive growth opportunities and result in synergy with our logistics and warehousing business.

The above comments are based on the existing business of the Group and do not include the proposed acquisition of Van der Horst Biodiesel Pte Ltd, which is subjected to an Extraordinary General Meeting to be convened in February 2008.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the period ended 30 November 2007.

BY ORDER OF THE BOARD

NEO CHEOW HUI
Director and Chief Operating Officer