



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2014

PART 1 - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

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

	The Group		
	Period ended 28 February		
	2014	2013	%
	S\$'000	S\$'000	change + / (-)
Continuing operations			
Revenue	22,946	19,800	15.9
Cost of sales	(18,265)	(13,951)	30.9
Gross profit	4,681	5,849	(20.0)
Other income	220	12,825	(98.3)
Marketing and distribution costs	(280)	(118)	137.3
Administrative expenses	(9,888)	(7,385)	33.9
Finance costs	(859)	(8)	10,637.5
Other expenses	(34)	(128)	(73.4)
Share of results of associates	261	372	(29.8)
Share of results of joint venture	(1)	-	100.0
(Loss)/ Profit before tax from continuing operations	(5,900)	11,407	(151.7)
Tax credit/ (expense)	50	(49)	(202.0)
(Loss)/ Profit from continuing operations, net of tax	(5,850)	11,358	(151.5)
Discontinued operation			
Profit from discontinued operation, net of tax	-	-	-
(Loss)/ Profit for the period	(5,850)	11,358	(151.5)
(Loss)/ Profit attributable to:			
Owners of the Company			
(Loss)/ Profit from continuing operations, net of tax	(4,556)	11,436	(139.8)
Profit from discontinued operation, net of tax	-	-	-
(Loss)/ Profit for the period attributable to the owners of the Company	(4,556)	11,436	(139.8)
Non-controlling interests			
Loss from continuing operations, net of tax	(1,294)	(78)	1,559.0
Profit from discontinued operation, net of tax	-	-	-
(Loss)/ Profit for the period attributable to non-controlling interests	(1,294)	(78)	1,559.0

(Loss)/ Profit before tax from continuing operations includes the following items :

	The Group		
	Period ended 28 February		
	2014	2013	%
	S\$'000	S\$'000	change + / (-)
Fees for audit services by auditor of the Company	(93)	(56)	66.1
Net foreign exchange loss	(34)	(128)	(73.4)
Gain on disposal of available-for-sale investments	41	405	(89.9)
Depreciation of property, plant and equipment	(4,847)	(2,442)	98.5
Amortisation of land use rights	(56)	(53)	5.7
Interest income	38	33	15.2
Gain on disposal of property, plant and equipment	20	189	(89.4)
Grant income from jobs credit scheme	10	16	(37.5)
Bad debts written off	(2)	-	100.0
Allowance for doubtful debts	-	(1,032)	(100.0)
Impairment of available-for-sale investments	(223)	(746)	(70.1)
Legal and professional fees	(2,928)	(227)	1,189.9
Gain on disposal of subsidiaries	-	6,943	(100.0)
Gain on revaluation of investment in associate to fair value	-	5,168	(100.0)



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1 (a)(i) Consolidated Statement of Comprehensive Income for the period ended 28 February 2014

The Statement of Comprehensive Income included as part of the results of the announcement is in compliance with the revised Financial Reporting Standard (FRS) 1 (effective from 1 January 2009).

	The Group		
	Period ended 28 February		
	2014	2013	% change
	S\$'000	S\$'000	+ / (-)
(Loss)/ Profit for the period	(5,850)	11,358	(151.5)
Other comprehensive income, net of tax			
Foreign currency translation	177	(29)	(710.3)
Fair value transfer to profit or loss on disposal of available-for-sale investments	(19)	-	100.0
Fair value gain on available-for-sale investments	272	298	(8.7)
Share of foreign currency translation of associates	14	6	133.3
Total comprehensive income for the period	<u>(5,406)</u>	<u>11,633</u>	<u>(146.5)</u>
(Loss)/ Profit attributable to:			
Owners of the Company	(4,147)	11,714	(135.4)
Non-controlling interests	(1,259)	(81)	1,454.3
Total comprehensive income for the period	<u>(5,406)</u>	<u>11,633</u>	<u>(146.5)</u>
(Loss)/ Profit attributable to:			
Owners of the Company			
Total comprehensive income from continuing operations, net of tax	(4,147)	11,738	(135.3)
Total comprehensive income from discontinued operation, net of tax	-	(24)	(100.0)
Total comprehensive income for the period attributable to the owners of the Company	<u>(4,147)</u>	<u>11,714</u>	<u>(135.4)</u>

	The Company		
	Period ended 28 February		
	2014	2013	% change
	S\$'000	S\$'000	+ / (-)
(Loss)/ Profit for the period	(507)	13,781	(103.7)
Other comprehensive income, net of tax			
Fair value transfer to profit or loss on disposal of available-for-sale investments	(19)	-	100.0
Fair value gain on available-for-sale investments	272	298	(8.7)
Total comprehensive income for the period	<u>(254)</u>	<u>14,079</u>	<u>(101.8)</u>
(Loss)/ Profit attributable to:			
Owners of the Company	<u>(254)</u>	<u>14,079</u>	<u>(101.8)</u>



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

	The Group		The Company	
	28.02.2014 S\$'000	31.05.2013 S\$'000	28.02.2014 S\$'000	31.05.2013 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	121,944	56,400	190	185
Land use rights	3,581	3,597	-	-
Investments in subsidiaries	-	-	51,064	42,909
Investments in associates	9,585	6,902	6,615	6,615
Investments in joint venture	4,240	-	-	-
Available-for-sale investments	1,221	1,181	1,221	1,181
Other receivables	-	-	8,853	597
Prepayments	1,909	8,722	-	-
Total non-current assets	142,480	76,802	67,943	51,487
Current assets				
Trade and other receivables	14,376	6,143	8,581	9,872
Prepaid operating expenses	334	295	41	23
Cash and cash equivalents	4,652	10,924	6	193
Total current assets	19,362	17,362	8,628	10,088
Total assets	161,842	94,164	76,571	61,575
EQUITY AND LIABILITIES				
Equity				
Share capital	62,215	62,215	62,215	62,215
Treasury shares	(848)	(848)	(848)	(848)
Accumulated losses	(8,841)	(2,911)	(8,180)	(6,299)
Other reserves	16,178	15,769	266	13
Equity attributable to owners of the Company	68,704	74,225	53,453	55,081
Non-controlling interests	4,560	3,688	-	-
Total equity	73,264	77,913	53,453	55,081
Non-current liabilities				
Borrowings	66,221	1,035	18,925	-
Deferred tax liabilities	4,484	4,432	77	25
Loan from non-controlling interests	343	347	-	-
Total non-current liabilities	71,048	5,814	19,002	25
Current liabilities				
Trade and other payables	2,593	1,443	78	4,958
Other liabilities	3,738	3,251	515	1,511
Borrowings	7,213	2,300	3,523	-
Finance lease liabilities	3,683	3,259	-	-
Tax payable	303	184	-	-
Total current liabilities	17,530	10,437	4,116	6,469
Total liabilities	88,578	16,251	23,118	6,494
Total equity and liabilities	161,842	94,164	76,571	61,575



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

(a) Amount repayable in one year or less, or on demand

	The Group		The Group	
	As at 28 February 2014		As at 31 May 2013	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Finance lease liabilities	3,683	-	3,259	-
Borrowings	7,213	-	2,300	-

(b) Amount repayable after one year

	The Group		The Group	
	As at 28 February 2014		As at 31 May 2013	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Loan from non-controlling interests	-	343	-	347
Borrowings	66,221	-	1,035	-

(c) Details of any collateral

Finance leases are entered into for certain motor vehicles, trailers, forklifts, lifting equipment and cranes that are secured by the lessor's charge over the leased assets and are secured by Corporate Guarantee from GKE Corporation Limited ("GKEC") and non-controlling interests.

The borrowings repayable in one year or less comprise:

- (a) the current portion of the borrowings entered into to finance the acquisition of warehouses located at No. 6 Pioneer Walk and No. 39 Benoi Road, the construction of the warehouse in Yangshan Shanghai, China and funds used as working capital of the Group;
- (b) bank overdraft utilised and used as working capital of the Group; and
- (c) Money Market Loan drawdown and used as working capital of the Group.

The borrowing is secured by Corporate Guarantee from GKEC, first legal mortgage over the properties located at No. 1 Jalan Besut, No. 30 Pioneer Road, No. 6 Pioneer Walk and No. 39 Benoi Road and fixed charged over 100% shareholdings in the share capital of a subsidiary, Van der Horst (Shanghai) Logistics Co. Ltd.

The loan from non-controlling interests repayable after one year are entered into to finance the construction of the warehouse in Yangshan Shanghai, China. The loan from non-controlling interests is unsecured.

The borrowings repayable after one year are entered into to finance the construction of the warehouse in Yangshan Shanghai, China and to finance the acquisition of the new warehouses located at No. 6 Pioneer Walk and No. 39 Benoi Road, Singapore. The borrowings are secured by Corporate Guarantee from GKEC, first legal mortgage over the properties located at No. 1 Jalan Besut, No. 30 Pioneer Road, No. 6 Pioneer Walk and No. 39 Benoi Road and fixed charged over 100% shareholdings in the share capital of a subsidiary, Van der Horst (Shanghai) Logistics Co. Ltd.



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

	The Group	
	Period ended 28 February 2014 S\$'000	2013 S\$'000
Cash flow from operating activities		
(Loss)/ Profit before tax from continuing operations	(5,900)	11,407
Profit before tax from discontinued operations	-	-
(Loss)/ Profit before tax	<u>(5,900)</u>	<u>11,407</u>
Adjustments for:		
Interest income	(38)	(33)
Interest expense	859	8
Depreciation of property, plant and equipment	4,847	2,442
Impairment of available-for-sale investments	223	746
Bad debts written off	2	-
Gain on disposal of subsidiaries	-	(6,943)
Amortisation of land use rights	56	53
Gain on disposal of property, plant and equipment	(20)	(189)
Gain on revaluation of investment in associate to fair value	-	(5,168)
Gain on disposal of available-for-sale investments	(41)	(405)
Share of results of joint venture	(1)	-
Share of results of associates	(261)	(372)
Effect of exchange rate changes	(32)	(14)
Operating cash flows before changes in working capital	<u>(306)</u>	<u>1,532</u>
Changes in working capital:		
Trade and other receivables	(8,470)	(8,035)
Prepaid operating expenses	(8)	75
Trade and other payables	96	3,665
Other liabilities	1,538	(666)
Cash used in operations	<u>(7,150)</u>	<u>(3,429)</u>
Interest received	38	33
Income tax refunded/ (paid)	169	(382)
Net cash flows used in operating activities	<u>(6,943)</u>	<u>(3,778)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,852)	(4,689)
Prepayments relating to acquisition of property, plant and equipment	(3,321)	-
Net cash inflow on disposal of subsidiaries ⁽²⁾	-	6,936
Net cash outflow on acquisition of associate	(2,388)	-
Proceeds from disposal of available-for-sale investments	83	810
Capital contribution from non-controlling interests	2,131	863
Proceeds from disposal of property, plant and equipment	46	241
Net cash flows (used in)/ generated from investing activities	<u>(16,301)</u>	<u>4,161</u>
Cash flows from financing activities		
Proceeds from loans and borrowings	21,837	997
Repayments of loans and borrowings	(1,853)	-
Dividends paid	(1,374)	(1,390)
Interest paid	(856)	(8)
Drawdown of loan from non-controlling interests	-	330
Purchase of treasury shares	-	(848)
Repayment of obligation under finance leases	(829)	(112)
Net cash generated from/ (used in) financing activities	<u>16,925</u>	<u>(1,031)</u>
Net decrease in cash and cash equivalents	<u>(6,319)</u>	<u>(648)</u>
Cash and cash equivalents at the beginning of financial period ⁽¹⁾	10,924	15,374
Effect of exchange rate changes on cash and cash equivalents	47	4
Cash and cash equivalents at the end of financial period ⁽¹⁾	<u>4,652</u>	<u>14,730</u>



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Explanatory Notes:

(1) Cash and cash equivalents in the cash flow statement comprise of the following:-

	The Group	
	28.02.2014	28.02.2013
	S\$'000	S\$'000
Cash and bank balances		
- Continuing operations	4,652	8,430
Fixed deposits - current	-	6,300
Cash and cash equivalents	4,652	14,730

	The Group	
	01.06.2013	01.06.2012
	S\$'000	S\$'000
Cash and bank balances		
- Continuing operations	10,924	7,964
- Discontinued operation	-	7,410
Cash and cash equivalents	10,924	15,374

(2) In the financial period ended 31 August 2012, the Group disposed its 51% shareholding interest in its wholly-owned subsidiary, GKE Metal Logistics Pte Ltd ("GKEML") and its entire 52% shareholding interest in Liaoning China Starzyme Co., Ltd ("LCS"). The effects of the disposal on the cash flows of the Group were:

Carrying amounts of assets and liabilities disposed of

	Total
	S\$'000
Property, plant and equipment	4,255
Trade and other receivables	5,329
Cash and bank balances	2,059
Total assets	11,643
Trade and other Payables	7,544
Income tax payable	673
Deferred tax liabilities	1,069
Total liabilities	9,286
Net assets derecognised	2,357
Less: Non controlling interests	(27)
Net assets disposed of	2,330
Less: 49% of net assets of GKEMLPL retained by the Group	(1,447)
Add: Reclassification of translation reserves	174
Gain on disposal	6,943
Cash proceeds from disposal	8,000
Less: Cash and cash equivalents in subsidiaries disposed of	(1,064)
Net cash inflow on disposal of subsidiaries	6,936



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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.

Statement of Changes in Equity for the year ended 28 February 2014

The Group	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Reserves of disposal groups classified as held for sale S\$'000	Total attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Balance as at 1 June 2012	62,215	-	(12,878)	4,278	1,055	54,670	2,292	56,962
Profit/ (loss) for the period	-	-	11,436	-	-	11,436	(78)	11,358
<u>Other comprehensive income:</u>								
Fair value gain on available-for-sale investments	-	-	-	298	-	298	-	298
Foreign currency translation	-	-	-	(2)	(24)	(26)	(3)	(29)
Share of other comprehensive income of associate	-	-	-	6	-	6	-	6
Other comprehensive income for the period, net of tax	-	-	-	302	(24)	278	(3)	275
Total comprehensive income for the period	-	-	11,436	302	(24)	11,714	(81)	11,633
<u>Contributions by and distributions to owners:</u>								
Dividend paid on ordinary shares	-	-	(1,390)	-	-	(1,390)	(326)	(1,716)
Purchase of treasury shares	-	(848)	-	-	-	(848)	-	(848)
Total contributions by and distributions to owners	-	(848)	(1,390)	-	-	(2,238)	(326)	(2,564)
<u>Changes in ownership interests in subsidiaries:</u>								
Disposal of subsidiaries	-	-	1,031	-	(1,031)	-	(27)	(27)
Capital contribution from non-controlling interests that do not result in a loss of control	-	-	-	-	-	-	863	863
Total changes in ownership interests in subsidiaries	-	-	1,031	-	(1,031)	-	836	836
Total transactions with owners in their capacity as owners	-	(848)	(359)	-	(1,031)	(2,238)	510	(1,728)
Balance as at 28 February 2013	62,215	(848)	(1,801)	4,580	-	64,146	2,721	66,867



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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.

Statement of Changes in Equity for the year ended 28 February 2014

The Group	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Reserves of disposal groups classified as held for sale S\$'000	Total attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Balance as at 1 June 2013	62,215	(848)	(2,911)	15,769	-	74,225	3,688	77,913
Loss for the period	-	-	(4,556)	-	-	(4,556)	(1,294)	(5,850)
<u>Other comprehensive income:</u>								
Fair value transfer to profit or loss on disposal of available-for-sale investments	-	-	-	(19)	-	(19)	-	(19)
Fair value gain on available-for-sale investments	-	-	-	272	-	272	-	272
Foreign currency translation	-	-	-	142	-	142	35	177
Share of other comprehensive income of associate	-	-	-	14	-	14	-	14
Other comprehensive income for the period, net of tax	-	-	-	409	-	409	35	444
Total comprehensive income for the period	-	-	(4,556)	409	-	(4,147)	(1,259)	(5,406)
<u>Contributions by and distributions to owners:</u>								
Dividend paid on ordinary shares	-	-	(1,374)	-	-	(1,374)	-	(1,374)
Total contributions by and distributions to owners	-	-	(1,374)	-	-	(1,374)	-	(1,374)
Capital contribution from non-controlling interests that do not result in a loss of control, representing total changes in ownership interests in subsidiaries	-	-	-	-	-	-	2,131	2,131
Total transactions with owners in their capacity as owners	-	-	(1,374)	-	-	(1,374)	2,131	757
Balance as at 28 February 2014	62,215	(848)	(8,841)	16,178	-	68,704	4,560	73,264



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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.

Statement of Changes in Equity for the year ended 28 February 2014

The Company	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Total equity S\$'000
Balance as at 1 June 2012	62,215	-	(16,975)	(379)	44,861
Profit for the period	-	-	13,781	-	13,781
<u>Other comprehensive income:</u>					
Fair value gain on available-for-sale investments, representing other comprehensive income for the period, net of tax	-	-	-	298	298
Other comprehensive income for the period, net of tax	-	-	-	298	298
Total comprehensive income for the period	-	-	13,781	298	14,079
<u>Contributions by and distributions to owners:</u>					
Dividend paid on ordinary shares	-	-	(1,390)	-	(1,390)
Purchase of treasury shares	-	(848)	-	-	(848)
Total contributions by and distributions to owners representing total transactions with owners in their capacity as owners	-	(848)	(1,390)	-	(2,238)
Balance as at 28 February 2013	62,215	(848)	(4,584)	(81)	56,702
Balance as at 1 June 2013	62,215	(848)	(6,299)	13	55,081
Loss for the period	-	-	(507)	-	(507)
<u>Other comprehensive income:</u>					
Fair value transfer to profit or loss on disposal of available-for-sale investments	-	-	-	(19)	(19)
Fair value gain on available-for-sale investments	-	-	-	272	272
Other comprehensive income for the period, net of tax	-	-	-	253	253
Total comprehensive income for the period	-	-	(507)	253	(254)
<u>Contributions by and distributions to owners:</u>					
Dividend paid on ordinary shares	-	-	(1,374)	-	(1,374)
Total contributions by and distributions to owners representing total transactions with owners in their capacity as owners	-	-	(1,374)	-	(1,374)
Balance as at 28 February 2014	62,215	(848)	(8,180)	266	53,453



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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 purposes 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, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.

Details of any changes in the Company's issued share capital

	28.02.2014	31.05.2013	28.02.2013	31.05.2012
Total number of issued shares (excluding treasury shares)	457,946,636	457,946,636	457,946,636	463,363,636
Total number of treasury shares	5,417,000	5,417,000	5,417,000	-

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Please refer to 1(d)(ii).

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or used of treasury shares as at end of the current financial period reported on.

Treasury shares relate to ordinary shares of the Company that are bought-back and held by the Company.

There are no sale, transfer, disposal, cancellation and/or use of treasury shares as at 28 February 2014.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been reviewed nor audited.

3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of a 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 financial year as those used in the most recently audited financial statements for the year ended 31 May 2013, except for the adoption of new/revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") applicable to the Group for the financial period beginning 1 June 2013.

The adoption of new/revised FRS and INT FRS have no material financial impact on the financial statements.

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.

Not Applicable.



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

	<u>The Group</u>	
	<u>Period ended 28 February</u>	
	<u>2014</u>	<u>2013</u>
Earnings per share (in SGD cents)		
- Basic ⁽¹⁾	(0.99)	2.48
- Fully diluted ⁽²⁾	(0.99)	2.48

Notes:

(1) The calculation of basic earnings per share is based on the loss for the period of S\$4,760,000 (2013: profit of S\$11,436,000) divided by the weighted number of ordinary shares in issue during the period of 457,946,636 (2013: 461,715,610).

(2) The calculation of fully diluted earnings per share is based on the loss for the period of S\$4,760,000 (2013: profit of S\$11,436,000) divided by the weighted number of ordinary shares in issue during the period of 457,946,636 (2013: 461,715,610). Diluted earnings per share for financial period ended 28 February 2014 is the same as basic earnings per share as the Group does not have any dilutive potential ordinary shares.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the:- (a) current financial period reported on; and (b) immediately preceding financial year.

	<u>The Group</u>		<u>The Company</u>	
	<u>28.02.2014</u>	<u>31.05.2013</u>	<u>28.02.2014</u>	<u>31.05.2013</u>
Net assets (S\$'000)	68,704	74,225	53,453	55,081
Net asset value per share (in SGD cents)	15.00	16.21	11.67	12.03
Number of shares used in calculating NAV	457,946,636	457,946,636	457,946,636	457,946,636

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) 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; and (b) any material factors that affected cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

8 (a) REVIEW OF THE PERFORMANCE OF THE GROUP
INCOME STATEMENT

Revenue increased by 15.9% from S\$19.8 million to S\$22.9 million mainly contributed by the increase in volume handled from our local transportation services as well as the increase in storage revenue generated from our newly acquired warehouses during the financial period.

Cost of sales increased by 30.9% from S\$14 million to S\$18.3 million largely due to higher direct costs such as staff costs and depreciation of property, plant and equipment. In line with the Group's business expansion, there was a substantial increase in staff headcount and also escalating cost of manpower. Depreciation charges increased significantly due to the upwards revaluation of the Group's leasehold properties.

The Group's gross profit decreased by 20% from S\$5.8 million to S\$4.7 million mainly due to the increase in cost of sales as mentioned above.

The significant decrease in other income from S\$12.8 million to S\$0.2 million is mainly due to the one time gain on revaluation of investment in associate to fair value, gain on disposal of subsidiaries and gain on disposal of available-for-sale investments in the corresponding financial period.

The increase in marketing and distribution costs is mainly due to expenses such as commission incurred and other incidental expenses for better development of the Group's future prospects.

The increase in administrative expenses is mainly due to increase in bank charges and legal and professional fees incurred for the new acquisitions. Furthermore, there is an increase in staff costs which in line with the Group's business expansion as mentioned above. The increase was partly off-set with the decrease in allowance for doubtful debts and impairment on available-for-sale investments during the financial period.

Finance cost increased significantly due to the loan drawdown for financing the new acquisitions and finance lease liabilities drawdown by the Group.

The share of results of associates represent the share of profit from associate, GKE Metal Logistics Pte Ltd after netting off the share of losses from Maoming City Hung Ji Construction Materials Co., Ltd.

The share of results of joint venture represents the share of losses from joint venture, Steadfast (HK) Co. Limited.



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8 (b) REVIEW OF THE FINANCIAL POSITION AND CASH FLOW OF THE GROUP

STATEMENT OF FINANCIAL POSITION

The increase in property, plant and equipment from S\$56.4 million to S\$121.9 million relates to the acquisition of warehouses located at No. 6 Pioneer Walk and No. 39 Benoi Road, construction of the warehouse in Yangshan Shanghai, China and purchase of prime movers, forklift and lifting equipment.

Investments in associates represent the investment of 49% interest in GKE Metal Logistics Pte Ltd and the 40% interest in Maoming City Hung Ji Construction Materials Co., Ltd ("Maoming"). Increase in investment in associates is attributable to the acquisition of 40% interest in Maoming during the financial period.

Investments in joint venture represents the investment of 50% interest in Steadfast (HK) Co., Limited.

Non-current prepayments represents prepayments relating advances paid for potential land acquisition located at Wuzhou, China.

Increase in trade and other receivables from S\$6.1 million to S\$14.4 million is mainly due to Goods and Services Tax receivables incurred during the acquisition of No. 6 Pioneer Walk and No. 39 Benoi Road and the deposit paid for the acquisition of Uniplas (Shanghai) Co., Ltd.

Increase in prepaid operating expenses from S\$295,000 to S\$334,000 is mainly due to prepayments for insurance during the financial period.

Non-current borrowings represents the loan drawdown by the Group to finance the construction of the warehouse in Yangshan Shanghai, China and acquisition of warehouses located No. 6 Pioneer Walk and No. 39 Benoi Road.

Current borrowings represent short term loan drawdowns by the Group to fund expansion, bank overdraft used as working capital of the Group and acquisitions of properties which have materialised in the current financial period.

Increase in trade and other payables from S\$1.4 million to S\$2.6 million mainly due to the outstanding settlement for the construction of the warehouse in Yangshan Shanghai, China.

Increase in other liabilities from S\$3.3 million to S\$3.7 million mainly due to the provision of legal and professional fees for the acquisition of Uniplas (Shanghai) Co., Ltd.

Finance lease liabilities increased from S\$3.3 million to S\$3.7 million in relation to the purchase of forklift and lifting equipment under finance lease arrangements.

Increase in tax payable from S\$184,000 to S\$303,000 mainly due to tax refunded from Inland Revenue Authority of Singapore.

STATEMENT OF CASH FLOWS

The Group had a deficit of S\$6.9 million from operating activities due to Goods and Services Tax paid during the acquisitions of No. 6 Pioneer Walk and No. 39 Benoi Road and the deposit paid for the acquisition of Uniplas (Shanghai) Co., Ltd.

The Group invested S\$2.4 million for the acquisition of an associate Maoming as mentioned above and S\$16.2 million for the purchase of property, plant and equipment.

For financing activities, the Group had drawdown S\$21.8 million mainly for new acquisitions and expansion during the financial period.

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

The announcement is in line with the profit guidance announcement disclosed on 1 April 2014.



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10. A commentary at the date of the announcement of the significant trends and competitive conditions 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 remains cautious of the global economy which may impact the local logistics industry and will continue to manage its business prudently.

In addition, the Group expects its overall performance to decline temporarily owing to initial investment costs relating to the warehouse acquisitions initiated in the current and last financial year. Once the operations of the warehouses acquired have stabilised, the Group's performance is expected to improve.

The acquisition expenses incurred are expected to impact the Group's performance for the financial year 2014 as the Group has just commenced building its customer portfolio for these newly acquired warehouses.

Inflationary cost pressures and difficulties with recruiting manpower may not ease in the immediate term. The Group will continue to monitor and enhance its operational efficiency.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial year

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

No.

(c) Date Payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not Applicable.



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13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Chippel Overseas Supplies	Rental income - \$1,210 Service income - \$45	NIL
Chip Hup Timber	Rental income - \$44 Service income - \$60	NIL
Grand total	- \$1,359	NIL

14. Negative confirmation by the Board pursuant to Rule 705(5)

The Board of Directors confirms that, to the best of their knowledge, nothing has come to their attention which may render the third quarter financial results of the Company and of the Group for the period ended 28 February 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Neo Cheow Hui
Executive Director and Chief Executive Officer
14 April 2014

This announcement has been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. ("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 announcement.

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

The details of the contact person for the Sponsor is:-

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