



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED NINE MONTHS FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2016

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		
	YTD	YTD	%
	Feb 2016	Feb 2015	change
	S\$'000	S\$'000	+ / (-)
Revenue	26,171	27,667	(5.4)
Cost of sales	(19,389)	(20,719)	(6.4)
Gross profit	6,782	6,948	(2.4)
Other income	1,550	137	1,031.4
Expenses			
Marketing and distribution costs	(73)	(175)	(58.3)
Administrative expenses	(6,637)	(8,386)	(20.9)
Finance costs	(1,568)	(1,274)	23.1
Other credits	26	672	(96.1)
Share of results of associates	(361)	82	(540.2)
Share of results of joint venture	(1)	-	N.M.
Loss before tax	(282)	(1,996)	(85.9)
Tax expense	(53)	(14)	-
Loss for the period	(335)	(2,010)	(83.3)
Loss attributable to:			
Owners of the Company	(409)	(1,770)	(76.9)
Non-controlling interests	74	(240)	N.M.
	(335)	(2,010)	(83.3)

Loss before tax includes the following items :

	The Group		
	YTD	YTD	%
	Feb 2016	Feb 2015	change
	S\$'000	S\$'000	+ / (-)
Audit fees	(133)	(102)	30.4
Allowance for doubtful trade receivables	(13)	(165)	(92.1)
Amortisation of land use rights	(86)	(57)	50.9
Bad debts written off	(129)	(23)	460.9
Depreciation of property, plant and equipment	(5,467)	(5,949)	(8.1)
Gain on disposal of property, plant and equipment	205	34	502.9
Grant income from government	64	16	300.0
Impairment of available-for-sale investments	(70)	(274)	(74.5)
Interest income	36	24	50.0
Legal and professional fees	(613)	(1,272)	(51.8)
Net foreign exchange gain	172	672	(74.4)
Gain on disposal of associate	1,180	-	N.M.

N.M. - Not Meaningful



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1 (a)(i) Consolidated Statement of Comprehensive Income for the period ended 29 February 2016

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		
	YTD	YTD	%
	Feb 2016	Feb 2015	change
	S\$'000	S\$'000	+ / (-)
Loss for the period	(335)	(2,010)	(83.3)
Other comprehensive income, net of tax			
Foreign currency translation	64	1,762	(96.4)
Fair value gain (loss) on available-for-sale investments	260	(61)	(526.2)
Share of foreign currency translation of associates	(28)	180	(115.6)
Other comprehensive income for the year, net of tax	296	1,881	(84.3)
Total comprehensive loss for the period	<u>(39)</u>	<u>(129)</u>	(69.8)
Loss attributable to:			
Owners of the Company	(36)	(193)	(81.3)
Non-controlling interests	(3)	64	(104.7)
Total comprehensive loss for the period	<u>(39)</u>	<u>(129)</u>	(69.8)

	The Company		
	YTD	YTD	%
	Feb 2016	Feb 2015	change
	S\$'000	S\$'000	+ / (-)
Loss for the period	(517)	(817)	(36.7)
Other comprehensive income, net of tax			
Fair value gain (loss) on available-for-sale investments	260	(61)	(526.2)
Total comprehensive loss for the period	<u>(257)</u>	<u>(878)</u>	(70.7)
Loss attributable to:			
Owners of the Company	<u>(257)</u>	<u>(878)</u>	(70.7)



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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	
	29.02.2016 S\$'000	31.05.2015 S\$'000	29.02.2016 S\$'000	31.05.2015 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	115,349	115,422	200	89
Land use rights	5,247	5,389	-	-
Goodwill*	2,504	-	-	-
Investments in subsidiaries	-	-	48,698	45,998
Investments in associates	7,317	9,830	6,615	6,615
Investment in joint venture	9,616	4,511	-	-
Available-for-sale investments	752	509	752	509
Other receivables	-	-	6,163	7,159
Total non-current assets	140,785	135,661	62,428	60,370
Current assets				
Inventories	50	-	-	-
Trade and other receivables	11,875	12,028	17,349	9,007
Prepaid operating expenses	410	349	32	25
Cash at banks and on hand	10,645	18,442	632	12,672
Total current assets	22,980	30,819	18,013	21,704
Total assets	163,765	166,480	80,441	82,074
EQUITY AND LIABILITIES				
Equity				
Share Capital	74,831	74,831	74,831	74,831
Treasury shares	(1,329)	(848)	(1,329)	(848)
Accumulated losses	(14,430)	(14,021)	(15,848)	(15,331)
Other reserves	18,224	17,851	260	-
Equity attributable to owners of the Company	77,296	77,813	57,914	58,652
Non-controlling interests	4,407	4,326	-	-
Total equity	81,703	82,139	57,914	58,652
Non-current liabilities				
Other payables	385	-	385	-
Borrowings	57,451	61,155	16,782	17,595
Deferred tax liabilities	4,808	4,748	63	10
Finance lease liabilities	1,488	595	67	-
Loan from non-controlling interests	992	365	-	-
Total non-current liabilities	65,124	66,863	17,297	17,605
Current liabilities				
Trade and other payables	4,096	3,996	153	403
Other liabilities	2,044	2,949	431	763
Borrowings	8,477	8,219	4,626	4,576
Finance lease liabilities	1,181	1,097	20	-
Tax payable	1,140	1,217	-	75
Total current liabilities	16,938	17,478	5,230	5,817
Total liabilities	82,062	84,341	22,527	23,422
Total equity and liabilities	163,765	166,480	80,441	82,074

* This is a provisional goodwill as the Group have not completed the purchase price allocation for Marquis Services Pte Ltd.



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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

	<u>The Group</u>		<u>The Group</u>	
	<u>As at 29 February 2016</u>		<u>As at 31 May 2015</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Finance lease liabilities	1,181	-	1,097	-
Borrowings	8,477	-	8,219	-

(b) Amount repayable after one year

	<u>The Group</u>		<u>The Group</u>	
	<u>As at 29 February 2016</u>		<u>As at 31 May 2015</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
Finance lease liabilities	1,488	992	595	365
Borrowings	57,451	-	61,155	-

(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; and

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.

The loan from non-controlling interests repayable after one year are entered into to finance the construction of the warehouse in Yangshan Shanghai, China and for working capital financing of newly acquired subsidiary Marquis Services Pte Ltd. 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 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	
	YTD Feb 2016 S\$'000	YTD Feb 2015 S\$'000
Cash flow from operating activities		
Loss before tax	(282)	(1,996)
Adjustments for:		
Allowance of doubtful trade receivables	13	165
Amortisation of land use rights	86	57
Bad debts written off	129	23
Depreciation of property, plant and equipment	5,467	5,949
Gain on disposal of associate	(1,180)	-
Gain on disposal of property, plant and equipment	(205)	(34)
Impairment of available-for-sale investments	70	274
Interest expense	1,568	1,274
Interest income	(36)	(24)
Property, plant and equipment written off	25	-
Share of results of joint venture	1	-
Share of results of associates	361	(82)
Effect of exchange rate changes	350	(144)
Operating cash flows before changes in working capital	6,367	5,462
Changes in working capital:		
Inventories	(50)	-
Trade and other receivables	1,679	(113)
Prepaid operating expenses	(61)	15
Trade and other payables	(2,856)	(996)
Other liabilities	(914)	(1,176)
Cash generated from operations	4,165	3,192
Interest received	36	24
Income tax (paid)/refunded	(369)	12
Net cash flows generated from operating activities	3,832	3,228
Cash flows from investing activities		
Net cash outflow on acquisition of subsidiary	(i) (743)	-
Net cash inflow on disposal of associate	3,312	-
Additional investment in Joint Venture	(4,706)	(501)
Proceeds from disposal of property, plant and equipment	284	102
Purchase of property, plant and equipment and land use rights	(4,013)	(3,569)
Net cash flows used in investing activities	(5,866)	(3,968)
Cash flows from financing activities		
Interest paid	(1,552)	(1,225)
Loan from non-controlling interests	635	-
Purchase of treasury shares	(481)	-
Proceeds from loans and borrowings	-	3,500
Repayment of obligation under finance leases	(731)	(905)
Repayments of loans and borrowings	(3,666)	(3,065)
Net cash used in financing activities	(5,795)	(1,695)
Net decrease in cash and cash equivalents	(7,829)	(2,435)
Cash and cash equivalents at the beginning of financial period ⁽¹⁾	18,442	5,210
Effect of exchange rate changes on cash and cash equivalents	32	(141)
Cash and cash equivalents at the end of financial period ⁽¹⁾	10,645	2,634



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Explanatory Notes:

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

	The Group	
	29.02.2016	28.02.2015
	S\$'000	S\$'000
Cash at banks and on hand	10,645	3,717
Bank overdrafts	-	(1,083)
Cash and cash equivalents	<u>10,645</u>	<u>2,634</u>
	The Group	
	01.06.2015	01.06.2014
	S\$'000	S\$'000
Cash at banks and on hand	18,442	5,256
Bank overdrafts	-	(46)
Cash and cash equivalents	<u>18,442</u>	<u>5,210</u>

(i) Net cash outflow from acquisition of subsidiary

On 15 December 2015, the Group acquired a 70% equity interest in Marquis Services Pte Ltd for the purchase consideration consist of cash S\$2,315,000 and up to 5,000,000 ordinary shares in the capital of the Company upon fulfilment of the conditions precedent.

The net assets acquired in the transaction, and the intangible arising, are as follows:-

	S\$'000
Property, plant and equipment	371
Trade and other receivables	1,668
Cash at bank and on hand	1,572
Trade and other payables	(2,956)
Other liabilities	(9)
Finance leases	(104)
Income tax payable	(239)
Deferred tax liabilities	(23)
Net asset acquired	<u>280</u>
Less: Non-controlling interest	(84)
Provisional goodwill	<u>2,504</u>
Purchase consideration	<u>2,700</u>
Purchase consideration:-	
- Cash	2,315
- Shares of the Company #	<u>385</u>
	<u>2,700</u>

The provision of 5,000,000 ordinary shares (part of the purchase consideration) was being valued at S\$0.077 per share as at the date of the acquisition.

Net cash outflow from acquisition of subsidiary	
Cash consideration paid	(2,315)
Cash at bank and on hand	<u>1,572</u>
	<u>(743)</u>



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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 period ended 29 February 2016

The Group	Share capital	Treasury shares	Accumulated losses	Other reserves	Total attributable to owners of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 June 2014	62,215	(848)	(10,200)	16,346	67,513	4,916	72,429
Loss for the period	-	-	(1,770)	-	(1,770)	(240)	(2,010)
<u>Other comprehensive income:</u>							
Fair value gain on available-for-sale investments	-	-	-	(61)	(61)	-	(61)
Foreign currency translation	-	-	-	1,458	1,458	304	1,762
Share of other comprehensive income of associate	-	-	-	180	180	-	180
Other comprehensive income for the period, net of tax	-	-	-	1,577	1,577	304	1,881
Total comprehensive income for the period	-	-	(1,770)	1,577	(193)	64	(129)
Balance as at 28 February 2015	62,215	(848)	(11,970)	17,923	67,320	4,980	72,300
The Group	Share capital	Treasury shares	Accumulated losses	Other reserves	Total attributable to owners of the Company	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 June 2015	74,831	(848)	(14,021)	17,851	77,813	4,326	82,139
Loss for the period	-	-	(409)	-	(409)	74	(335)
<u>Other comprehensive income:</u>							
Fair value gain on available-for-sale investments	-	-	-	260	260	-	260
Foreign currency translation	-	-	-	141	141	(77)	64
Share of other comprehensive income of associate	-	-	-	(28)	(28)	-	(28)
Other comprehensive income for the period, net of tax	-	-	-	373	373	(77)	296
Total comprehensive income for the period	-	-	(409)	373	(36)	(3)	(39)
<u>Contributions by and distributions to owners:</u>							
Purchase of treasury shares	-	(481)	-	-	(481)	-	(481)
Total contributions by and distributions to owners	-	(481)	-	-	(481)	-	(481)
<u>Changes in ownership interests in subsidiaries</u>							
Acquisition of subsidiary	-	-	-	-	-	84	84
Total changes in ownership interests in subsidiaries	-	-	-	-	-	84	84
Total transactions with owners in their capacity as owners	-	(481)	-	-	(481)	84	(397)
Balance as at 29 February 2016	74,831	(1,329)	(14,430)	18,224	77,296	4,407	81,703



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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 period ended 29 February 2016

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 2014	62,215	(848)	(9,216)	125	52,276
Loss for the period	-	-	(817)	-	(817)
<u>Other comprehensive income:</u>					
Fair value gain on available-for-sale investments, representing other comprehensive income for the period, net of tax	-	-	-	(61)	(61)
Other comprehensive income for the period, net of tax	-	-	-	(61)	(61)
Total comprehensive income for the period	-	-	(817)	(61)	(878)
Balance as at 28 February 2015	62,215	(848)	(10,033)	64	51,398
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 2015	74,831	(848)	(15,331)	-	58,652
Loss for the period	-	-	(517)	-	(517)
<u>Other comprehensive income:</u>					
Fair value gain on available-for-sale investments, representing other comprehensive income for the period, net of tax	-	-	-	260	260
Other comprehensive income for the period, net of tax	-	-	-	260	260
Total comprehensive income for the period	-	-	(517)	260	(257)
<u>Contributions by and distributions to owners:</u>					
Purchase of treasury shares	-	(481)	-	-	(481)
Total contributions by and distributions to owners	-	(481)	-	-	(481)
Balance as at 29 February 2016	74,831	(1,329)	(15,848)	260	57,914



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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

	9 months ended 29 Feb 2016	12 months ended 31 May 2015	9 months ended 28 Feb 2015	12 months ended 31 May 2014
Number of Shares				
Issued ordinary shares				
At beginning of the period	646,542,290	463,363,636	463,363,636	463,363,636
Add: Issue of new shares	-	183,178,654	-	-
At end of the period	<u>646,542,290</u>	<u>646,542,290</u>	<u>463,363,636</u>	<u>463,363,636</u>
Treasury shares				
At beginning of the period	(5,417,000)	(5,417,000)	(5,417,000)	(5,417,000)
Share buyback	(5,923,400)	-	-	-
At end of the period	<u>(11,340,400)</u>	<u>(5,417,000)</u>	<u>(5,417,000)</u>	<u>(5,417,000)</u>
Total	<u>635,201,890</u>	<u>641,125,290</u>	<u>457,946,636</u>	<u>457,946,636</u>

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 brought-back and held by the Company.

There are no sale, transfer, disposal, cancellation and/or use of treasury shares during the period of 9 months ended 29 February 2016.

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 2015, 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 2015.

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>	
	YTD	
	<u>Feb 2016</u>	<u>Feb 2015</u>
		(Restated)
Earnings per share (in SGD cents)		
- Basic ⁽¹⁾	(0.06)	(0.38)
- Fully diluted ⁽²⁾	(0.06)	(0.38)

Notes:

(1) The calculation of basic earnings per share is based on the loss for the period of S\$409,000 (2015: loss of S\$1,770,000) divided by the weighted number of ordinary shares in issue during the period of 640,597,046 (2015: 470,158,546).

(2) The calculation of fully diluted earnings per share is based on the loss for the period of S\$409,000 (2015: S\$1,770,000) divided by the weighted number of ordinary shares in issue during the period of 640,597,046 (2015: 470,158,546). Diluted earnings per share for financial period ended 29 February 2016 is the same as basic earnings per share.

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>29.02.2016</u>	<u>31.05.2015</u>	<u>29.02.2016</u>	<u>31.05.2015</u>
Net assets (S\$'000)	77,296	77,813	57,914	58,652
Net asset value per share (in SGD cents)	12.17	12.14	9.12	9.15
Number of shares used in calculating NAV	635,201,890	641,125,290	635,201,890	641,125,290

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

The Group's revenue decreased by 5.4% to S\$26.2 million for the nine months ended 29 February 2016 ("FP2016"), down from S\$27.7 million in FP2015. This was mainly due to the decrease in the volume of freight and general cargoes handled by the Group's logistics operations on the back of the slowdown in the macro business environment. The lower revenue was partially lifted by contributions from the newly acquired subsidiary, Marquis Services Pte Ltd ("Marquis").

In line with the decline in revenue, cost of sales decreased by 6.4% from S\$20.7 million in FP 2015 to S\$19.4 million in FP2016. Gross profit margin improved marginally from 25.1% in FP2015 to 25.9% in FP2016.

Other income increased from S\$0.1 million in FP2015 to S\$1.6 million in FP2016. The significant increase was largely due to the S\$1.2 million gain on disposal of Everflourish Development (HK) Co., Ltd ("Everflourish") and its associate, Maoming City Hung Ji Construction Materials Co., Ltd ("Maoming") and the gain on disposal of property, plant and equipment.

Marketing and distribution expenses decreased by 58.3% to S\$73,000 in FP2016, as compared to S\$175,000 in FP2015, due to lower advertising and commission expenses incurred to market its warehouses in Yangshan Shanghai, China and 6 Pioneer Walk.

Administrative expenses decreased by 20.9% from S\$8.4 million in FP2015 to S\$6.6 million in FP2016. This was mainly due to lower staff costs, decrease in legal fee and impairment-for-sale investments as compared to FP2015.



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UNAUDITED NINE MONTHS FINANCIAL STATEMENTS FOR THE PERIOD ENDED 29 FEBRUARY 2016

Finance costs increased by 23.3% from S\$1.3 million in FP2015 to S\$1.6 million in FP2016. This was due to an increase in interest rates, higher borrowings undertaken for working capital purposes, and the purchase of cement mixer trucks for its wholly-owned ready-mix cement operations in Wuzhou, China.

The Group recorded a loss of S\$0.4 million in FP2016 from its share of results of associates, compared with a profit of S\$0.1 million in FP2015. The loss mainly stemmed from GKE Metal Logistics Pte Ltd ("GKE Metal") due to the weaker commodity market during the financial period.

The share of results of joint venture was the administrative expenses incurred for the construction of the liquefied gas carrier vessel.

The Group narrowed its net loss attributable to the owners of the Company by 76.9% from S\$1.8 million in FP2015 to S\$0.4 million in FP2016.

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

STATEMENT OF FINANCIAL POSITION

Non-current assets increased by S\$5.1 million from S\$135.7 million as at 31 May 2015 to S\$140.8 million as at 29 February 2016. The increase was attributable to goodwill arising from the acquisition of Marquis and an increase in investment in joint venture due to its outstanding capital contribution to the 50%-owned joint venture, Steadfast (HK) Co., Limited ("Steadfast") which was in placed by Gas Aries Limited (as announced on 2 February 2016) on the payment for the construction of the liquefied gas carrier vessel. The increase was partially offset by the decrease in associates due to the disposal of Everflourish and Maoming.

Current assets decreased by S\$7.8 million from S\$30.8 million as at 31 May 2015 to S\$23.0 million as at 29 February 2016. This was mainly due to a decrease in trade and other receivables from S\$12.0 million as at 31 May 2015 to S\$11.9 million as at 29 February 2016, and a decrease in cash at banks and on hand from S\$18.4 million as at 31 May 2015 to S\$10.6 million as at 29 February 2016. During the financial period, the Group's subsidiary, GKE China Investment Pte Ltd ("GKE China") received a refund of US\$3.5 million (approximately S\$4.9 million) from the Waigaoqiao Vendor, for the 30% initial payment it had made in relation to the acquisition of Uniplas (Shanghai) Co., Ltd. This was partially offset by the cash payment for the acquisition of Marquis and cash outlay for the investment in its joint venture. The addition of inventories as at 29 February 2016 was a result of the commencement of trial production at the Wuzhou Xing Jian Readymix Co., Ltd, its wholly-owned ready-mix cement plant in Wuzhou, China.

Non-current liabilities decreased by S\$1.8 million from S\$66.9 million as at 31 May 2015 to S\$65.1 million as at 29 February 2016. The decrease was due mainly to the repayment of borrowings, which was partially offset by a) other payables of S\$385,000 related to the provision for the balance of the purchase consideration (five million ordinary shares to be allotted upon fulfilment of the conditions precedent) for the acquisition of Marquis, b) the increase in finance lease liabilities due to the purchase of cement mixer trucks for the Group's ready-mix cement plant in Wuzhou, China and prime movers for its logistics operations in Singapore, and c) the increase in loan from non-controlling interests attributed to the loan contribution from non-controlling shareholders of Marquis.

Current liabilities decreased by S\$0.6 million from S\$17.5 million as at 31 May 2015 to S\$16.9 million as at 29 February 2016. This was mainly due to a decrease in other liabilities amounting to S\$1.0 million as GKE China paid to the Waigaoqiao Vendor for the legal and related costs incurred, and repayment due to non-controlling interests.

Shareholders' equity was lower at S\$77.3 million as at 29 February 2016, compared with S\$77.8 million as at 31 May 2015, mainly due to the share buyback during the financial period. Net asset value per share increased marginally from 12.14 SGD cents as at 31 May 2015 to 12.17 SGD cents as at 29 February 2016.

STATEMENT OF CASH FLOWS

Cash generated from operations was derived from Group's pre-tax loss of S\$0.3 million after adjusting for non-cash items and changes in working capital. Net cash flows generated from operating activities amounted to S\$3.8 million for the nine months ended 29 February 2016.



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Net cash flows used in investing activities of S\$5.9 million was mainly due to:-

- (i) net cash outflow of S\$0.7 million for the acquisition of Marquis;
- (ii) cash outlay of S\$4.7 million for its investment in its joint venture, Gas Aries Limited, in place of Steadfast as announced by the Group on 2 February 2016 for the construction of liquefied gas carrier vessel; and
- (iii) the purchase of trailers, motor vehicles, forklift, warehouse equipment, land use rights and the construction of its wholly-owned ready-mix cement plant in Wuzhou, China.

These were partially offset by net cash inflow from the sale of Everflourish and Maoming of approximately S\$3.3 million.

Net cash flows used in financing activities S\$5.8 million was mainly for the repayments of loans, obligations under finance leases and interest payment, which was partially offset by the proceeds from loan contribution from non-controlling interests in Marquis.

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 management's comments on Note 10 of FY2016 half year financial announcement.

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 expects the macro business environment to remain challenging amid the slowdown in both the domestic and global economies, intense competition, inflationary cost pressures and labour crunch, which will impact on the operating performance of the Group.

On 1 March 2016, the Group announced the receipt of official approval on the lease extension of its 39 Benoi Road property to align the lease expiry with that of 30 Pioneer Road property. The lease extension will facilitate the completion of the sale and leaseback of 30 Pioneer Road as well as the redevelopment of 39 Benoi Road property. The Group will update the shareholders on the developments as and when appropriate.

On 15 March 2016, the Group announced that its liquefied gas carrier vessel has secured a chartering contract at a gross rate of US\$33,000 per day for six months, starting from mid-April 2016. The contract comes with an option to extend for another six months. The Group does not expect contribution from this 50% joint venture to be significant in this financial year.

The Group is prudently optimistic that its two strategic investments: (i) liquefied gas carrier vessel which has entered into a chartering contract, and (ii) the ready-mix cement plant in Wuzhou, China, which has commenced trial production, will contribute positively to the Group in the near future. Meanwhile, the Group will continue to strengthen its operational efficiency and enhance its competitiveness, while it continues to pursue viable strategic business opportunities to enhance its core businesses.

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.

The Company has not obtained an IPT mandate. There are no interested person transactions exceeding \$100,000 during the financial period under review.

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 29 February 2016 to be false or misleading in any material aspect.

15. Confirmation by the Board pursuant to Rule 720(1) of the listing manual

On behalf of the Board of Directors of the Company, we hereby confirm that we have procured all the required undertakings to comply with the Exchange's listing rules from all the Directors and Executive Officers of the Company.

BY ORDER OF THE BOARD

Neo Cheow Hui
Executive Director and Chief Executive Officer
14 April 2016

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:-

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