GKE

GKE CORPORATION LIMITED
(Company Registration No.: 200001941G)
Incorporated in the Republic of Singapore

NEWS RELEASE

GKE CONTINUES TO BUILD ON ITS GROWTH TRACK IN 1QFY17

- **Revenue grew 30.4% to S$11.4 million with higher contribution from warehousing & logistics segment and maiden contribution from infrastructural materials & services segment**
  - warehousing & logistics segment was mainly lifted by contributions from Marquis and its warehousing business unit, increased by 24.1% to S$10.8 million
  - maiden contribution of S$0.6 million from its wholly-owned ready-mix concrete plant, Wuzhou Xing Jian, which commenced commercialisation in June 2016
- **Reversed net loss position to net profit of S$0.1 million**
- **Group is on track to build on stable and sustainable earnings base to enhance value for shareholders in the long term**

FYE 31 May (S$'000)	1Q FY17	1Q FY16	YoY Change
Revenue	11,355	8,707	+ 30.4%
Gross profit	2,647	2,212	+ 19.7%
Operating profit	406	63	+544.4%
Profit/(loss) before tax	347	(102)	N.M.
Net profit/(loss) attributable to shareholders	126	(109)	N.M.

Notes:

(1) 1Q denotes three months ended 31 August.
(2) N.M. denotes not meaningful.

SINGAPORE, 11 October 2016 – GKE Corporation Limited (锦佳集团有限公司), together with its subsidiaries ("**GKE**" or the "**Group**"), a leading integrated warehousing and logistics solutions provider, today announced that it has reversed its net loss position a year ago to a net profit attributable to shareholders of S$0.1 million for the three months ended 31 August 2016 ("**1QFY17**") on the back of higher revenue at S$11.4 million amid the economic slowdown.

Commenting on the results, Mr. Neo Cheow Hui (梁鹏飞), CEO and Executive Director of GKE said, "This set of results reinforced the Group's belief that our transformation has placed GKE back on the growth track. The strategic acquisition of Marquis has boosted our warehousing & logistics segment despite the slowdown in economic activities in Singapore, and our investments in the liquefied gas carrier vessel and the ready-mix concrete manufacturing plant in Wuzhou, China, have also started to contribute to the Group as well. We will continue our effort to build on this growth path to strengthen our fundamentals and earnings base for sustainable growth in the long term."

The Group registered a 30.4% increase in revenue to S$11.4 million in 1QFY17, compared with S$8.7 million in 1QFY16 bolstered by (i) higher contribution of S$10.8 million from warehousing & logistics segment and (ii) maiden contribution of S$0.6 million from its wholly-owned ready-mix concrete plant, Wuzhou Xing Jian Readymix Co., Ltd ("**Wuzhou Xing Jian**") which commenced commercialisation in June 2016. Higher revenue from warehousing & logistics segment was attributable to an increase of 24.1% or approximately S$2.0 million contribution from Marquis Services Pte Ltd ("**Marquis**") and the Group's warehousing business unit, which was partially undermined by lower contribution from its logistics operations.

In tandem with the additions of Marquis and Wuzhou Xing Jian operations to the Group, cost of sales increased by 34.1% from S$6.5 million in 1QFY16 to S$8.7 million in 1QFY17. As a result, gross profit rose by 19.7% from S$2.2 million in 1QFY16 to S$2.6 million in 1QFY17.

Other income declined by 55.4% from S$0.3 million in 1QFY16 to S$0.1 million in 1QFY17. This was due to the absence of higher gain on disposal of property, plant and equipment and net foreign exchange gain in 1QFY17.

Total operating expenses increased by 4.3% from S$2.1 million in 1QFY16 to S$2.2 million in 1QFY17. Higher expenses were incurred on marketing activities for Wuzhou Xing Jian's ready-mix concrete and Van Der Horst Shanghai warehousing operations, as well as higher administrative expenses with the addition of Marquis and Wuzhou Xing Jian operations.

Other expenses of S$0.2 million was due to net foreign exchange losses in 1QFY17 with the fluctuations in currencies.

Finance costs decreased by 9.1% to S$0.4 million in 1QFY17 as a result of higher repayment on borrowings for working capital purposes, but partially offset by hire purchase interest expense for the purchase of concrete mixer trucks for Wuzhou Xing Jian, and loan interest for the acquisition of 7 Kwong Min Road warehouse property for Marquis.

Against the weak commodity market backdrop, GKE Metal Logistics Pte Ltd reversed the share of results of associates from a profit of S$19,000 in 1QFY16 to a loss of S$0.1 million in 1QFY17. On the other hand, the Group recorded S$0.6 million from its share of results of joint venture in 1QFY17 from the chartering income of the liquefied gas carrier vessel.

For 1QFY17, net profit attributable to owners of the Company was S$0.1 million, a reversal from a net loss of S$0.1 million a year ago.

Net asset value decreased marginally from S$85.0 million as at 31 May 2016 to S$84.3 million as at 31 August 2016. Net debt to equity ratio increased from 0.24x as at 31 May 2016 to 0.32x as at 31 August 2016, due mainly to the increase in borrowings to finance the redevelopment of 39 Benoi Road property and an increase in finance lease liabilities for hire purchase of fixed assets in Wuzhou Xing Jian as well as the operations in Singapore. Based on 632,741,890 shares, the net asset value per share reduced from 13.43 Singapore cents at end May 2016 to 13.32 Singapore cents at end August 2016.

Business Prospects

The Group expects the macro business outlook to continue to be a challenge on the back of the global economic slowdown, inflationary costs pressures and intensifying competition to affect the operating performance of the Group.

The redevelopment of 39 Benoi Road warehouse cum office property is in progress, and the Group's wholly-owned ready-mix concrete manufacturing plant in Wuzhou, China, is ramping up its production progressively to meet with demand within Wuzhou City's planned urbanization. In view of the prolonged depressed oil prices and increase in the global supply of liquefied gas carrier vessels, it could be challenging for the Group to extend the chartering contract of its liquefied gas carrier vessel.

Mr. Neo added, "We are mindful of the uncertainties in our business environment and we will continue to work conscientiously to build on our twin-growth engines – (i) warehousing & logistics and (ii) strategic investments. While we continue to broaden our capabilities and services in our warehousing & logistics segment via synergistic acquisitions such as Marquis and proposed acquisition of TNS, we will also continue to seek for viable strategic investment opportunities to build on stable and sustainable earnings base to enhance value for shareholders in the long term."

On 28 July 2016, the Group entered into a legally binding memorandum of understanding with the vendors of TNS Ocean Lines (S) Pte. Ltd. ("**TNS**"), an established port operations & logistics service provider, to acquire 100% stake in TNS ("**Proposed Acquisition**"). TNS is profitable and provides a guarantee of cumulative net profit before tax of not less than S$3.5 million for three years. The Proposed Acquisition is currently undergoing due diligence. The Group will update shareholders on the development as and when appropriate.

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This news release is to be read in conjunction with the Company's announcement posted on the SGX website on 11 October 2016.

*This News Release 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 (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this News Release.*

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ABOUT GKE CORPORATION LIMITED

(Stock Codes – SGX: 595 | Bloomberg: GKEC SP | Thomson Reuters: GKEC.SI)

GKE Corporation Limited (锦佳集团有限公司) ("**GKE**" or together with its subsidiaries, the "**Group**") is a leading integrated warehousing and logistics solutions provider offering one-stop, door-to-door multi-modal solutions for supply chain management. The business activities of GKE 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 and logistics business under the "**GKE**" brand name. It provides total integrated and comprehensive warehousing & logistics solutions and services that include general warehousing, inventory management, conventional transportation, container trucking, project logistics, international multi-modal sea and air freight forwarding services as well as non-ferrous metal storage. It is also a listed London Metal Exchange ("LME") warehouse operator. The Group recently expanded its capabilities into marine logistics and chemical warehousing with the acquisition of a 70% stake in Marquis Services Pte Ltd.

The Group's strategic investments include its marine and shipping logistics business through a 50% joint venture, Ocean Latitude Limited, has constructed an 83,000m^3 liquefied gas carrier vessel to ride on the demand for liquefied gas as a cleaner fuel for industrial and domestic uses. The liquefied gas carrier vessel is currently chartered and deployed in the Middle East and Far East regions.

Another 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.

For more information, please visit the company website at www.gke.com.sg.

Issued for and on behalf of **GKE CORPORATION LIMITED** by:

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