



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

NEWS RELEASE

GKE POSTS 45% REVENUE GROWTH TO S\$12 MILLION IN 2Q FY17

- **Higher revenue was mainly contributed by chemical warehouse operator, Marquis, and ready-mix concrete manufacturer, Wuzhou Xing Jian**
- **Net loss attributable to shareholders of S\$0.6 million in 2Q FY17 was weighed down by:**
 - **the operating losses of Wuzhou Xing Jian,**
 - **the significantly lower charter rates for the liquefied gas carrier vessel under its share of results of joint venture, and**
 - **the lower profit contribution from warehousing & logistics division**
- **Continuous growth of the Group to stem from:**
 - **warehousing & logistics division with its recent acquisition of TNS, an established port operations & logistics provider, and**
 - **its strategic investment in Wuzhou Xing Jian, an infrastructural materials manufacturer in Wuzhou, China that has commenced commercial production in June 2016**

FYE 31 May (S\$'000)	2Q FY17	2Q FY16	YoY Change
Revenue	11,940	8,218	+ 45.3%
Gross profit	1,795	1,991	- 9.8%
Operating loss	(509)	(317)	+ 60.6%
Profit/(loss) before tax	(441)	364	N.M.
Net profit/(loss) attributable to shareholders	(558)	367	N.M.

Notes: (1) 2Q denotes three months ended 30 November.

(2) N.M. denotes not meaningful.

SINGAPORE, 13 January 2017 – 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 reported a net loss attributable to shareholders of S\$0.6 million for the quarter ended 30 November 2016 (“**2Q FY17**”). This was despite a 45.3% growth in revenue to S\$11.9 million for the period, following higher revenue contributions from the 70%-owned subsidiary, Marquis Services Pte Ltd (“**Marquis**”), and the wholly-owned subsidiary, Wuzhou Xing Jian Readymix Co., Ltd (“**Wuzhou Xing Jian**”) which commenced commercial production in June 2016.

Gross profit declined by 9.8% from S\$2.0 million in 2Q FY16 to S\$1.8 million in 2Q FY17, mainly due to higher expenses incurred in the operations of Marquis and Wuzhou Xing Jian, as well as higher warehouse rental expenses. The intensified competition in the local warehousing & logistics sector has also led to margin pressure on the Group's core warehousing & logistics businesses. Gross margin slipped from 24.2% in 2Q FY16 to 15.0% in 2Q FY17.

Other income was lower at S\$0.4 million in 2Q FY17, down from S\$1.4 million in 2Q FY16. The decline was mainly due to the absence of the one-off gain of S\$1.2 million from the disposal of 40% stake in Maoming City Hung Ji Construction Materials Co., Ltd recorded in 2Q FY16.

Total operating expenses were maintained at S\$2.3 million in 2Q FY17 compared to the last corresponding period, on cost management for the third-party logistics segment. This was despite the increase in staff cost with the addition of Marquis and commencement of operations in Wuzhou Xing Jian, and the amortisation of intangible assets.

Finance costs decreased by 37.7% to S\$0.3 million in 2Q FY17 as a result of repayment on borrowings and lower property loan interest rate from refinancing, which partially offset by the loan interest from the loan to acquire 7 Kwong Min Road warehouse property for Marquis.

Amid the improving commodities market, GKE Metal Logistics Pte Ltd ("GKE Metal") reversed the share of results of associates from a loss of S\$0.2 million in 2Q FY16 to a profit of S\$42,000 in 2Q FY17. The Group, however, recorded a loss of S\$42,000 from its share of results of joint venture in 2Q FY17 when the chartering contract of the liquefied gas carrier vessel was renewed at a significantly lower charter rate in October 2016 as the global economy continues to slow down.

For 2Q FY17, net loss attributable to shareholders was S\$0.6 million, a reversal from a net profit of S\$0.4 million a year ago.

Net asset value increased marginally from S\$85.0 million as at 31 May 2016 to S\$85.8 million as at 30 November 2016. The Group repurchased 1.7 million shares via share buyback and issued a total of 52.5 million shares (48.2 million new shares and 4.3 million treasury shares) to acquire 100% of TNS Ocean Lines (S) Pte Ltd ("TNS") during the financial period. Based on the enlarged share capital of 683,531,890 shares and the payment of S\$0.006 cash dividend per share, the net asset value per share reduced from 13.43 Singapore cents at end May 2016 to 12.55 Singapore cents at end November 2016.

Net debt to equity ratio increased from 0.24x as at 31 May 2016 to 0.40x as at 30 November 2016. The increase was due mainly to (i) the payment of cash dividends, (ii) the acquisition of TNS, (iii) the increase in borrowings to finance the redevelopment of 39 Benoi Road property, and (iv) the increase in finance lease liabilities attributed to the hire purchase of equipment in Wuzhou Xing Jian and for operations in Singapore.

Business Prospects

The Group expects the macro business outlook for 2017 to be subdued against the backdrop of global economic uncertainties. In addition, rising costs, intensifying competition and lacklustre business sentiment are also expected to have an impact on the operating performance of the Group.

Mr. Neo Cheow Hui (梁鹏飞), CEO and Executive Director of GKE said, "Our endeavours to pursue viable strategic acquisitions and investments to strengthen our fundamentals and earnings base for sustainable growth in the long term are beginning to pay off. While our acquisitions of Marquis and TNS, who are established players in their own sectors, provide immediate growth and contribution to the Group; the strategic investments in the liquefied gas carrier vessel and ready-mix concrete manufacturing plant in Wuzhou, China, are expected to contribute to the Group progressively. We are focused on our two-prong growth approach to enhance our capabilities and strengthen our earnings base as well as to balance the Group's dependence on the warehousing and logistics division.

We will continue to work conscientiously and prudently to build on our twin-growth engines – (i) warehousing & logistics and (ii) strategic investments, amid the challenges presented by the global economic uncertainties."

On 30 November 2016, the Group completed its acquisition of 100% stake in TNS, an established port operations and logistics service provider, to extend its existing logistics services to enhance its logistics value chain as port operations is the first and last landing points for the import and export of goods. It has also recently secured contracts from another company to manage cleaning and logistics services. This acquisition is expected to contribute immediate and stable earnings to the Group from 1 December 2016.

~~ End ~~

This news release is to be read in conjunction with the Company's announcement posted on the SGX website on 13 January 2017.

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.

This News Release has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this News Release, including the correctness of any of the statements or opinions made or reports contained in 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 multimodal solutions for supply chain management. The business activities of GKE can be classified into two broad categories: (i) warehousing & logistics, and (ii) strategic investments.

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

GKE operates its third-party warehousing 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. In late 2015, the Group expanded its capabilities into marine logistics and chemical warehousing with the acquisition of a 70% stake in Marquis Services Pte Ltd. Recently, the Group acquired 100% of TNS Ocean Lines (S) Pte Ltd, an established port operations and maritime logistics service provider, to extend its existing logistics services to enhance its logistics value chain as port operations is the first and last landing points for the import and export of goods.

The Group’s strategic investments include its marine and shipping logistics business through a 50% joint venture, Ocean Latitude Limited, which has constructed an 83,000m³ 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, real estate development and construction sectors 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.

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