



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2017

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 | | |
|---------------------------------------|------------------------------|---------|-------------------|
| | Three months ended 31 August | | |
| | 2017 | 2016 | % |
| | S\$'000 | S\$'000 | change + / (-) |
| Revenue | 17,379 | 11,355 | 53.1 |
| Cost of sales | (14,053) | (8,708) | 61.4 |
| Gross profit | 3,326 | 2,647 | 25.7 |
| Other income | 417 | 129 | 223.3 |
| Expenses | | | |
| Marketing and distribution costs | (227) | (37) | 513.5 |
| Administrative expenses | (3,429) | (2,204) | 55.6 |
| Finance costs | (381) | (430) | (11.4) |
| Other credit/(expenses) | 73 | (245) | N.M. |
| Share of results of associates | 20 | (125) | N.M. |
| Share of results of joint venture | (668) | 612 | N.M. |
| (Loss)/profit before tax | (869) | 347 | N.M. |
| Tax expense | (73) | (136) | N.M. |
| (Loss)/profit for the period | (942) | 211 | N.M. |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | (1,148) | 126 | N.M. |
| Non-controlling interests | 206 | 85 | 142.4 |
| | (942) | 211 | N.M. |

(Loss)/profit before tax includes the following items :

| | The Group | | |
|--|------------------------------|---------|-------------------|
| | Three months ended 31 August | | |
| | 2017 | 2016 | % |
| | S\$'000 | S\$'000 | change + / (-) |
| Audit fees payable to: | | | |
| - Auditors of the Company | (53) | (49) | 8.2 |
| Non-audit fees payable to: | | | |
| - Auditors of the Company | (8) | (13) | (38.5) |
| Reversal of allowance for doubtful trade receivables | - | 19 | N.M. |
| Amortisation of land use rights | (27) | (27) | - |
| Amortisation of customer relationship | (334) | (76) | 339.5 |
| Bad debts written off | - | (19) | N.M. |
| Depreciation of property, plant and equipment | (1,545) | (1,455) | 6.2 |
| Gain on disposal of available-for-sale investments | - | 8 | N.M. |
| Gain on disposal of property, plant and equipment | 168 | 21 | 700.0 |
| Impairment of available-for-sale investments | (35) | (21) | 66.7 |
| Interest income | 1 | 16 | (93.8) |
| Interest expense | (337) | (430) | (21.6) |
| Legal and professional fees | (50) | (80) | (37.5) |
| Net foreign exchange gain/(loss) | 73 | (245) | N.M. |

N.M. denotes not meaningful.



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1 (a)(i) Consolidated Statement of Comprehensive Income for the period ended 31 August 2017

| | The Group | | |
|---|------------------------------|--------------|---------|
| | Three months ended 31 August | | |
| | 2017 | 2016 | % |
| | S\$'000 | S\$'000 | change |
| | | | + / (-) |
| (Loss)/profit for the period | (942) | 211 | N.M. |
| Other comprehensive income, net of tax | | | |
| Foreign currency translation | 98 | (506) | N.M. |
| Fair value loss on available-for-sale investments | (68) | (79) | (13.9) |
| Share of foreign currency translation of associates | 16 | (371) | N.M. |
| Other comprehensive income for the period, net of tax | 46 | (956) | N.M. |
| Total comprehensive income for the period | <u>(896)</u> | <u>(745)</u> | 20.2 |
| (Loss)/profit attributable to: | | | |
| Owners of the Company | (1,166) | (725) | 60.8 |
| Non-controlling interests | 270 | (20) | N.M. |
| Total comprehensive income for the period | <u>(896)</u> | <u>(745)</u> | 20.3 |



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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 | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.08.2017 S\$'000 | 31.05.2017 S\$'000 | 31.08.2017 S\$'000 | 31.05.2017 S\$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 114,628 | 111,053 | 140 | 156 |
| Land use rights | 4,802 | 4,745 | - | - |
| Intangible assets | 8,394 | 8,727 | - | - |
| Investments in subsidiaries | - | - | 59,560 | 59,560 |
| Investment in associate | 2,854 | 2,818 | 3,189 | 3,189 |
| Investment in joint venture | 8,367 | 9,228 | - | - |
| Available-for-sale investments | 645 | 697 | 645 | 697 |
| Other receivables | - | - | 5,454 | 4,866 |
| Total non-current assets | 139,690 | 137,268 | 68,988 | 68,468 |
| Current assets | | | | |
| Inventories | 284 | 253 | - | - |
| Trade and other receivables | 23,432 | 19,116 | 13,088 | 12,361 |
| Prepaid operating expenses | 591 | 713 | 42 | 25 |
| Fixed deposits (restricted) | 2,180 | 2,180 | - | - |
| Cash and cash equivalents | 8,099 | 10,582 | 246 | 528 |
| Total current assets | 34,586 | 32,844 | 13,376 | 12,914 |
| Total assets | 174,276 | 170,112 | 82,364 | 81,382 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 78,165 | 78,165 | 78,165 | 78,165 |
| Treasury shares | (1,216) | (1,216) | (1,216) | (1,216) |
| Accumulated losses | (1,788) | (640) | (17,152) | (17,066) |
| Other reserves | 6,724 | 6,742 | 214 | 282 |
| Equity attributable to owners of the Company | 81,885 | 83,051 | 60,011 | 60,165 |
| Non-controlling interests | 5,483 | 5,213 | - | - |
| Total equity | 87,368 | 88,264 | 60,011 | 60,165 |
| Non-current liabilities | | | | |
| Other liabilities | 2,167 | 2,068 | - | - |
| Borrowings | 55,504 | 49,323 | - | - |
| Deferred tax liabilities | 1,951 | 2,002 | - | - |
| Finance lease liabilities | 209 | 454 | - | - |
| Total non-current liabilities | 59,831 | 53,847 | - | - |
| Current liabilities | | | | |
| Trade and other payables | 7,000 | 7,594 | 20,309 | 18,777 |
| Other liabilities | 4,865 | 6,829 | 1,985 | 2,376 |
| Borrowings | 9,315 | 7,655 | - | - |
| Finance lease liabilities | 3,683 | 3,709 | 59 | 64 |
| Tax payable | 2,214 | 2,214 | - | - |
| Total current liabilities | 27,077 | 28,001 | 22,353 | 21,217 |
| Total liabilities | 86,908 | 81,848 | 22,353 | 21,217 |
| Total equity and liabilities | 174,276 | 170,112 | 82,364 | 81,382 |



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

| | The Group | | The Group | |
|--|----------------------|-----------|-------------------|-----------|
| | As at 31 August 2017 | | As at 31 May 2017 | |
| | Secured | Unsecured | Secured | Unsecured |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| (a) Amount repayable in one year or less, or on demand | | | | |
| Loan from non-controlling interests | - | 619 | - | 611 |
| Finance lease liabilities | 3,683 | - | 3,709 | - |
| Borrowings | 9,315 | - | 7,655 | - |
| (b) Amount repayable after one year | | | | |
| Finance lease liabilities | 209 | - | 454 | - |
| Borrowings | 55,504 | - | 49,323 | - |

(c) Details of any collateral

The loan from non-controlling interests repayable in one year or on demand are entered into for the financing of the construction of the warehouse in Yangshan Shanghai, China and working capital purpose of Van Der Horst (Shanghai) Logistics Co., Ltd and Marquis Services Pte Ltd. The loans from non-controlling interests are unsecured.

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.

Borrowings repayable in one year or less and the borrowings repayable after one year consist of the borrowings entered into to finance the acquisition of warehouses located at 6 Pioneer Walk, 7 Kwong Min Road, redevelopment of warehouse at 39 Benoi Road and the construction of the warehouse in Yangshan Shanghai, China.

Borrowings are secured by proportional corporate guarantee from the GKEC and non-controlling interests, first legal mortgage over the properties located at 1 Jalan Besut, 6 Pioneer Walk, 7 Kwong Min Road and 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 Three months ended 31 August | |
|---|--|-----------------|
| | 2017 S\$'000 | 2016 S\$'000 |
| Cash flow from operating activities | | |
| (Loss)/profit before tax | (869) | 347 |
| Adjustments for: | | |
| Reversal of allowance for doubtful trade receivables | - | (19) |
| Amortisation of land use rights | 27 | 27 |
| Amortisation of customer relationship | 334 | 76 |
| Bad debts written off | - | 19 |
| Depreciation of property, plant and equipment | 1,545 | 1,455 |
| Gain on disposal of available-for-sale investments | - | (8) |
| Gain on disposal of property, plant and equipment | (168) | (21) |
| Impairment of available-for-sale investments | 35 | 21 |
| Interest expense | 337 | 430 |
| Interest income | (1) | (16) |
| Property, plant and equipment written off | 1 | - |
| Share of results of joint venture | 668 | (612) |
| Share of results of associates | (20) | 125 |
| Effect of exchange rate changes | (154) | 249 |
| Operating cash flows before changes in working capital | 1,735 | 2,073 |
| Changes in working capital: | | |
| Inventories | (31) | 39 |
| Trade and other receivables | (4,316) | (100) |
| Prepaid operating expenses | 122 | (276) |
| Trade and other payables | (594) | (1,117) |
| Other liabilities | (1,865) | (841) |
| Cash flows from operations | (4,949) | (222) |
| Interest received | 1 | 16 |
| Income tax paid | (129) | (209) |
| Net cash flows used in operating activities | (5,077) | (415) |
| Cash flows from investing activities | | |
| Proceeds from disposal of available-for-sale investments | (51) | - |
| Dividend income from associate | - | 331 |
| Proceeds from disposal of property, plant and equipment | 401 | 32 |
| Purchase of property, plant and equipment | (4,724) | (3,540) |
| Net cash flows used in investing activities | (4,374) | (3,177) |
| Cash flows from financing activities | | |
| Interest paid | (337) | (430) |
| Proceeds from borrowings | 8,921 | 1,711 |
| Repayment of obligation under finance leases | (525) | (379) |
| Repayments of loans and borrowings | (1,052) | (926) |
| Increase in fixed deposits charged with bank | - | (2,180) |
| Net cash generated from/(used in) financing activities | 7,007 | (2,204) |
| Net decrease in cash and cash equivalents | (2,444) | (5,796) |
| Cash and cash equivalents at the beginning of financial period | 10,582 | 30,768 |
| Effect of exchange rate changes on cash and cash equivalents | (39) | (140) |
| Cash and cash equivalents at the end of financial period ⁽¹⁾ | 8,099 | 24,832 |

Explanatory Notes:

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

| | The Group | |
|----------------------------------|-----------------------|-----------------------|
| | 31.08.2017 S\$'000 | 31.08.2016 S\$'000 |
| Cash at banks and on hand | 8,099 | 24,832 |
| Fixed deposits (restricted) | 2,180 | 2,180 |
| | 10,279 | 27,012 |
| Fixed deposits charged with bank | (2,180) | (2,180) |
| Cash and cash equivalents | 8,099 | 24,832 |



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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 31 August 2017

| The Group | Share capital | Treasury shares | Retained earnings | 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 2016 | 74,831 | (1,537) | 5,425 | 6,289 | 85,008 | 4,928 | 89,936 |
| Profit for the year | - | - | 126 | - | 126 | 85 | 211 |
| <u>Other comprehensive income:</u> | | | | | | | |
| Fair value loss on available-for-sale investments | - | - | - | (79) | (79) | - | (79) |
| Foreign currency translation | - | - | - | (401) | (401) | (105) | (506) |
| Share of other comprehensive income of associate | - | - | - | (371) | (371) | - | (371) |
| Other comprehensive income for the period, net of tax | - | - | - | (851) | (851) | (105) | (956) |
| Total comprehensive income for the period | - | - | 126 | (851) | (725) | (20) | (745) |
| Balance as at 31 August 2016 | 74,831 | (1,537) | 5,551 | 5,438 | 84,283 | 4,908 | 89,191 |

| The Group | Share capital | Treasury shares | Retained earnings | 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 2017 | 78,165 | (1,216) | (640) | 6,742 | 83,051 | 5,213 | 88,264 |
| Loss for the year | - | - | (1,148) | - | (1,148) | 206 | (942) |
| <u>Other comprehensive income:</u> | | | | | | | |
| Fair value loss on available-for-sale investments | - | - | - | (68) | (68) | - | (68) |
| Foreign currency translation | - | - | - | 34 | 34 | 64 | 98 |
| Share of other comprehensive income of associate | - | - | - | 16 | 16 | - | 16 |
| Other comprehensive income for the period, net of tax | - | - | - | (18) | (18) | 64 | 46 |
| Total comprehensive income for the period | - | - | (1,148) | (18) | (1,166) | 270 | (896) |
| Balance as at 31 August 2017 | 78,165 | (1,216) | (1,788) | 6,724 | 81,885 | 5,483 | 87,368 |



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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 31 August 2017

| 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 2016 | 74,831 | (1,537) | (11,356) | 312 | 62,250 |
| Loss for the period | - | - | (35) | - | (35) |
| <u>Other comprehensive income:</u> | | | | | |
| Fair value gain on available-for-sale investments, representing other comprehensive income for the period, net of tax | - | - | - | (79) | (79) |
| Total comprehensive income for the period | - | - | (35) | (79) | (114) |
| Balance as at 31 August 2016 | <u>74,831</u> | <u>(1,537)</u> | <u>(11,391)</u> | <u>233</u> | <u>62,136</u> |
| 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 2017 | 78,165 | (1,216) | (17,066) | 282 | 60,165 |
| Loss for the period | - | - | (86) | - | (86) |
| <u>Other comprehensive income:</u> | | | | | |
| Fair value loss on available-for-sale investments, representing other comprehensive income for the period, net of tax | - | - | - | (68) | (68) |
| Total comprehensive income for the period | - | - | (86) | (68) | (154) |
| Balance as at 31 August 2017 | <u>78,165</u> | <u>(1,216)</u> | <u>(17,152)</u> | <u>214</u> | <u>60,011</u> |



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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 the number of shares that may be issued on conversion of all the outstanding convertibles as, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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

| | The Group & the Company Period as at | |
|---|---|---------------------|
| | 31.08.2017 | 31.05.2017 |
| Total number of issued shares (excluding treasury shares): | | |
| Total number of issued shares | | |
| At beginning of financial year | 694,700,540 | 646,542,290 |
| Issue of new shares ⁽¹⁾ | - | 48,158,250 |
| At end of financial year | <u>694,700,540</u> | <u>694,700,540</u> |
| Treasury shares | | |
| At beginning of the period | (11,168,650) | (13,800,400) |
| Share buyback | - | (1,710,000) |
| Treasury shares reissued pursuant to acquisition of a subsidiary ⁽¹⁾ | - | 4,341,750 |
| At end of the period | <u>(11,168,650)</u> | <u>(11,168,650)</u> |
| Total | <u>683,531,890</u> | <u>683,531,890</u> |

(1) During the last financial year, the company had issued 48,158,250 new shares and transferred 4,341,750 treasury shares as part of the consideration for the acquisition of TNS Ocean Lines (S) Pte Ltd.

1(d)(iii) To show the total number of issued shares excluding treasury shares and subsidiary holdings 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.

Please refer to 1(d)(ii).

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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

The figures have not been reviewed or 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 2017.

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



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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.

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>Three months ended 31 August</u> | |
| | <u>2017</u> | <u>2016</u> |
| (Loss)/earning per share (in SGD cent) | | |
| - Basic ⁽¹⁾ | (0.17) | 0.02 |
| - Fully diluted ⁽²⁾ | (0.17) | 0.02 |
| (1) Calculated based on weighted average number of shares | 683,531,890 | 632,741,890 |
| (2) Calculated based on weighted average number of shares for diluted earnings | 683,531,890 | 632,741,890 |

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>31.08.2017</u> | <u>31.05.2017</u> | <u>31.08.2017</u> | <u>31.05.2017</u> |
| Net assets (S\$'000) | 81,885 | 83,051 | 60,011 | 60,165 |
| Net asset value per share (in SGD cents) | 11.98 | 12.15 | 8.78 | 8.80 |
| Number of shares used in calculating NAV | 683,531,890 | 683,531,890 | 683,531,890 | 683,531,890 |

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 recorded a 53.1% increase in revenue to S\$17.4 million for the three months ended 31 August 2017 ("1Q FY18"), compared with S\$11.4 million in the previous corresponding period. The increase was mainly due to the addition of port operations service provider, TNS Ocean Lines (S) Pte Ltd ("TNS"), and higher revenue contributed by ready-mix concrete manufacturing plant, Wuzhou Xing Jian Readymix Co., Ltd ("Wuzhou Xing Jian") as it ramped up production progressively since it commenced production in June last financial year. This was partially offset by the decrease in storage and handling revenue from the warehousing & logistics segment.

Cost of sales increased by 61.4% from S\$8.7 million in 1Q FY17 to S\$14.1 million in 1Q FY18, in line with higher revenue. The increase was attributable to the additional expenses from the operations of TNS and Wuzhou Xing Jian, which was partially offset by lower rental expenses due to the expiry of lease of external warehouse space.



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For 1Q FY18, the Group's gross profit increased by 25.7% to S\$3.3 million, compared with S\$2.6 million in 1Q FY17. The composite gross margin decreased from 23.3% in 1Q FY17 to 19.1% in 1Q FY18, mainly due to lower gross margin from the warehousing & logistics segment.

Other income increased from S\$0.1 million in 1Q FY17 to S\$0.4 million in 1Q FY18. This was mainly due to the gain on disposal of property, plant and equipment, as well as additional income including government's grants and insurance claims.

Marketing and distribution costs increased by S\$0.2 million in 1Q FY18, compared with S\$37,000 in 1Q FY17. This was mainly due to higher expenses incurred on marketing by TNS and Wuzhou Xing Jian.

Administrative expenses increased by 55.6% to S\$3.4 million in 1Q FY18 from S\$2.2 million in 1Q FY17. This was mainly due to increase in staff cost with the addition of TNS and ramp up of production in Wuzhou Xing Jian, as well as the increase in the amortisation of intangible assets.

Finance costs decreased by 11.4% to S\$0.4 million in 1Q FY18. This was mainly due to the lower property loan interest as a result of refinancing, which was partially offset by additional finance costs incurred by Wuzhou Xing Jian and TNS.

Other credit of S\$73,000 in 1Q FY18 was mainly net foreign exchange gain, a reversal from an expense of S\$0.2 million in 1Q FY17.

Share of results from associates reversed from a loss of S\$0.1 million in 1Q FY17 to a profit of S\$20,000 in 1Q FY18. This was due to the gradual improvement in the occupancy rate for storage of metals and lower administrative expenses, as well as the reversal of the provision for doubtful debts as a result of bad debts recovery.

The loss of S\$0.7 million from its share of results of joint venture came from the chartering of the liquefied gas carrier vessel, Gas Aries. Due to the subdued economic recovery, the chartering rate of the renewed contract in 1Q FY18 was significantly lower as compared to the chartering rate in 1Q FY17.

Taking into account of the above, the Group recorded a net loss attributable to the owners of the Company of S\$1.1 million for 1Q FY18, compared with a net profit of S\$0.1 million in 1Q FY17.

Other comprehensive income for foreign currency translation and share of foreign currency translation of associates was a result of the translation of the financial statements of the foreign subsidiaries and associates from its functional currencies.

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

STATEMENT OF FINANCIAL POSITION

Non-current assets increased by S\$2.4 million from S\$137.3 million as at 31 May 2017 to S\$139.7 million as at 31 August 2017. The increase was mainly due to increase in property, plant and equipment arising from the redevelopment of the 39 Benoi Road property, the purchase of fixed assets for the operations in Wuzhou Xing Jian and the warehousing & logistics in Singapore. The increase was partially offset by the decrease in investment in joint venture due to share of losses for the period under review and decrease in land use rights and intangible assets due to amortisation.

Current assets increased by S\$1.7 million from S\$32.8 million as at 31 May 2017 to S\$34.6 million as at 31 August 2017. This was mainly due to the increase in trade and other receivables resulting from (i) higher trade receivables from Wuzhou Xing Jian due to higher revenue, and (ii) an additional loan of S\$1.4 million was from the Group to Gas Aries Limited, which is a subsidiary of its joint venture company, Ocean Latitude Limited. The increase was partially offset by the decline in cash and cash equivalents from S\$10.6 million as at 31 May 2017 to S\$8.1 million as at 31 August 2017, which was attributed to the redevelopment of the 39 Benoi Road property and the purchase of fixed assets.

Non-current liabilities increased by S\$6.0 million from S\$53.8 million as at 31 May 2017 to S\$59.8 million as at 31 August 2017. This was mainly due to (i) the increase in borrowings to finance the redevelopment of 39 Benoi Road property, and (ii) a marginal increase in other liabilities due to higher construction retention for the 39 Benoi Road property. The increase was partially offset by the repayment of borrowings and finance lease liabilities.

Current liabilities decreased by S\$0.9 million from S\$28.0 million as at 31 May 2017 to S\$27.1 million as at 31 August 2017. The decrease was mainly due to (i) the decrease in trade and other payables mainly attributed to the payment of the amount due to the builder on the redevelopment of the 39 Benoi Road property, and (ii) the decrease in finance lease liabilities as a result of the repayment. This was offset by the increase in borrowings undertaken for working capital purposes in Wuzhou Xing Jian and loan to Gas Aries Limited.

Shareholders' equity decreased from S\$83.1 million as at 31 May 2017 to S\$81.9 million as at 31 August 2017 due to the losses for the period under review.



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STATEMENT OF CASH FLOWS

During 1Q FY18, the net cash used in operations amounted to approximately S\$5.1 million. This comprises positive operating cash flows before changes in working capital of S\$1.8 million, adjusted by net working capital outflow of S\$4.9 million, interest received and taxes paid of S\$1,000 and S\$129,000, respectively.

Net cash used in investing activities of S\$4.4 million was mainly due to the cash outlay for the redevelopment of 39 Benoi Road property, and the purchase of vehicles and equipments during the quarter under review.

Net cash generated from financing activities for 1Q FY18 was S\$7.0 million. This was mainly attributable to the proceeds from bank borrowings of S\$8.9 million for the redevelopment of 39 Benoi Road property, working capital purposes in Wu Zhou Xing Jian and Gas Aries Limited, which was partially offset by the repayment of loans, finance leases and interest expenses.

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

Not Applicable.

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 business environment to continue to be challenging amid the geopolitical uncertainties and subdued economic growth, with inflationary cost pressure weighing on the operating performance of the Group.

The redevelopment of the 39 Benoi Road warehouse cum office property is completed. Upon completion, the Group increased their storage space and open yard space by an additional 400,000 sqft and 130,000 sqft respectively, coupled with capability of handling chemical dangerous products. Viva Industrial Real Estate Investment Trust ("Viva") had also commenced the construction of the vehicular link to connect the 40-foot container ramp from 39 Benoi Road warehouse property to that of 30 Pioneer Road warehouse property. On completion of the vehicular link, Viva shall pay the Group an additional S\$3 million and shall share the maintenance and repair costs of the ramp.

The Group will also continue to drive synergies among the subsidiaries within its core warehousing & logistics division, to achieve stable and sustainable earnings growth in the long term.

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.



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

Not Applicable.

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 period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) \$'000 | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$'000 |
|----------------------------------|---|---|
| Gas Aries Limited - loan* | 1,438 | Nil |

* During the period under review, additional loan was provided from the Group to Gas Aries Limited, interest free and repayable on demand.

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 first quarter financial results of the Company and of the Group for the period ended 31 August 2017 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
12 October 2017

This announcement has 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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