NEWS RELEASE

GKE POSTS 52% REVENUE GROWTH TO S$18 MILLION FOR 2Q FY18

- An impairment loss and share of loss of joint venture for the liquefied gas carrier vessel undermined the Group’s results, despite strong revenue growth
- Group’s focus on businesses with good growth potential will get it back on the growth track going forward

SINGAPORE, 12 January 2018 – 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, reported a net loss attributable to shareholders of S$7.9 million for the quarter ended 30 November 2017 (“2Q FY18”) compared with the net loss of S$0.6 million in 2Q FY17. The loss was mainly attributed to the S$6.2 million provision for impairment loss in the joint venture for the liquefied gas carrier vessel and the share of loss of joint venture, amounting to S$0.6 million, on the back of the protracted slowdown in the oil and gas industry that adversely affected charter rates.

During the period under review, the Group registered 51.8% revenue growth from S$11.9 million in 2Q FY17 to S$18.1 million in 2Q FY18. Higher revenue contributions by the Group’s subsidiaries, Marquis Services Pte Ltd (“Marquis”), TNS Ocean Lines (S) Pte Ltd (“TNS”), and Wuzhou Xing Jian Readymix Co., Ltd (“Wuzhou Xing Jian”) boosted the topline whilst the redeveloped warehouse cum office property at 39 Benoi Road (“Benoi Road Property”) only started to contribute in late 2017.

Gross profit grew on the back of higher revenue, which increased by 64.6% from S$1.8 million in 2Q FY17 to S$3.0 million in 2Q FY18. The composite gross margin was lifted from 15.0% in 2Q FY17 to 16.3% in 2Q FY18.

In tandem with the addition of TNS and the ramped-up production in Wuzhou Xing Jian, staff costs and marketing and distribution expenses also saw an increase. Total operating expenses surged significantly from S$2.3 million in 2Q FY17 to S$9.5 million in 2Q FY18, mainly due to a S$6.2 million impairment loss in the liquefied gas carrier joint venture.

Finance costs increased from S$0.3 million in 2Q FY17 to S$0.4 million in 2Q FY18, with the incremental financing cost incurred by TNS and Wuzhou Xing Jian.

The decline in gross margin for storage and shipment of metals as well as a lower exchange gain tipped the share of results of associate from a profit of S$42,000 in 2Q FY17 to a loss of S$0.1 million in 2Q FY18.
The loss on the share of results of joint venture widened from S$42,000 in 2Q FY17 to S$0.6 million in 2Q FY18 as the chartering rate for the liquefied gas carrier vessel was renewed at a significantly lower level in 2Q FY18 than in 2Q FY17.

Commenting on the performance for the quarter, Mr. Neo Cheow Hui (梁鹏飞) Chief Executive Officer of GKE said, "The Group is generating a positive net cash flow from operating activities despite the performance for the quarter being marred by an impairment loss in the joint venture of the liquefied gas carrier vessel as well as losses from the metals storage and logistics, the joint venture and our core warehousing and logistics segment. Our wholly-owned ready-mix concrete manufacturing plant in China, Wuzhou Xing Jian, on the other hand, contributed positively to Group for the quarter under review.

We believe as urbanisation progresses in Wuzhou City, Wuzhou Xing Jian will continue to benefit from stronger demand and higher average selling prices of its ready-mix concrete products. In addition, we also believe the Benoi Road Property, which came on stream in late 2017, will ease some of the current pressure in our core warehousing and logistics segment going forward." 

Corporate Developments

The redevelopment of the 39 Benoi Road warehouse cum office property has been completed, and the Group began managing the storage space in late 2017. 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 will be completed by the third quarter of financial year 2018. On completion of the vehicular link, Viva Industrial Real Estate Investment Trust shall pay the Group S$3 million and shall share the maintenance and repair costs of the ramp.

As the focus is on operating businesses with good growth potential, the Group will be seeking shareholders’ approval in the upcoming extraordinary general meeting, for the proposed divestment of its 50% stake in the joint venture, Ocean Latitude Limited, which owns the liquefied gas carrier vessel.

In late December 2017, the Group invested in a joint venture, G-Chem Logistics Pte. Ltd., to carry out hazardous chemicals warehousing and logistics services for packed products, laden ISO Tanks, and chemical drumming. The Group believes that the horizontal expansion within the specialized chemicals space will augment growth in its core warehousing and logistics business.

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This news release is to be read in conjunction with the Company’s announcement posted on the SGX website on 12 January 2018.
**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) together with its subsidiaries, (“GKE” or the “Group”) is a leading integrated warehousing and logistics solutions provider offering one-stop, end-to-end multi-modal supply chain management solutions and services. The business activities of GKE can be classified into two broad categories: (i) warehousing & logistics, and (ii) strategic investments.

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

GKE operates its third-party warehousing & logistics business under the “GKE”, “Marquis” and “TNS” brand names. The Group provides total integrated and comprehensive warehousing & logistics solutions and services that include general warehousing, dangerous goods cargo storage (Class 2 and 3), 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 an approved London Metal Exchange (“LME”) non-ferrous warehouse operator. It has expanded its capabilities into marine logistics and chemical warehousing through its 70% stake in Marquis Services Pte Ltd, and extended its logistics services through its wholly-owned TNS Ocean Lines (S) Pte Ltd, an established port operations and maritime logistics service provider, to enhance its logistics value chain as port operations are the first and last landing points for the import and export of goods.

The Group’s strategic investment include 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 manufacture and supply of ready-mix concrete products to the domestic infrastructural and real estate sector in Wuzhou City, China. It commenced commercial production in June 2016.

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

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