



GKE CORPORATION LIMITED

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NEWS RELEASE

GKE POSTS REVENUE GROWTH TO S\$17.3 MILLION FOR 3Q FY18

- *Financial performance was undermined by lower revenue contribution from port operations service provider, TNS, higher operating expenses, and share of losses from associate, GKE Metal, and joint venture, Ocean Latitude*
- *Group to realign business focus to drive earnings growth with the divestment of the joint venture in liquefied gas carrier vessel at upcoming EGM*

SINGAPORE, 12 April 2018 – GKE Corporation Limited (锦佳集团有限公司), together with its subsidiaries (“**GKE**” or the “**Group**”), an integrated warehousing and logistics solutions provider, narrowed its net loss attributable to shareholders to S\$0.8 million for the third quarter ended 28 February 2018 (“**3Q FY18**”) from a net loss of S\$0.9 million in 3Q FY17. The loss stemmed mainly from a lower revenue contribution from its wholly-owned port operations service provider, TNS Ocean Lines (S) Pte Ltd (“**TNS**”), higher operating expenses, and the share of losses from its associate, GKE Metal Logistics Pte Ltd (“**GKE Metal**”) and its 50-50 joint venture, Ocean Latitude Limited (“**Ocean Latitude**”), on the back of a competitive and challenging business environment in the warehousing and logistics industry.

The Group's revenue grew 8.3% year-on-year to S\$17.3 million in 3Q FY18 from S\$16.0 million in 3Q FY17. The increase was mainly driven by higher revenue contributions from its ready-mix concrete manufacturing plant, Wuzhou Xing Jian Readymix Co., Ltd (“**Wuzhou Xing Jian**”) on increased productivity, and GKE Express Logistics Pte Ltd (“**GKE Express Logistics**”). This was, however, partially offset by lower contributions from the warehousing & logistics segment and TNS.

While cost of sales in 3Q FY18 at S\$14.1 million increased in tandem with the higher revenue from Wuzhou Xing Jian and GKE Express Logistics, the lower revenue generated by the warehousing and logistics segment weighed on the overall profit and margin. The Group's gross profit decreased by 1.1% year-on-year to S\$3.2 million in 3Q FY18, down from S\$3.3 million in 3Q FY17. The composite gross margin decreased from 20.4% in 3Q FY17 to 18.6% in 3Q FY18.

Other income arising from interest income, government grants, gain on disposal of fixed assets and net exchange gain, increased from S\$136,000 in 3Q FY17 to S\$198,000 in 3Q FY18. The increase was mainly due to a net exchange gain of \$59,000.

Operating expenses comprising marketing and distribution costs and administrative expenses, decreased 18.4% year-on-year from S\$3.4 million in 3Q FY17 to S\$2.7 million in 3Q FY18. This was

mainly due to lower marketing and distribution expenses and the reversal of provision for impairment loss on investment of S\$0.7 million in the joint venture.

Finance costs increased from S\$0.4 million in 3Q FY17 to S\$0.5 million in 3Q FY18, with for the increment coming from a loan taken for the construction of 39 Benoi Road property.

The share of loss from associate, GKE Metal Logistics Pte Ltd (“**GKE Metal**”), reversed from a profit of S\$103,000 in 3Q FY17 to a loss of S\$109,000 in 3Q FY18, mainly due to a decline in gross margins from storage and shipment of metals. On the other hand, the share of results from the joint venture, Ocean Latitude, narrowed the loss from S\$512,000 in 3Q FY17 to S\$477,000 in 3Q FY18 on the back of slightly higher chartering rate for the liquefied gas carrier vessel amid the weak demand.

Taking into account the aforementioned, the Group recorded a net loss attributable to owners of the Company of S\$0.8 million in 3Q FY18 as compared to a net loss of S\$0.9 million in 3Q FY17.

Commenting on the financial performance of 3Q FY18, Mr. Neo Cheow Hui (梁鹏飞), Chief Executive Officer of GKE said, “***The financial performance of the Group was weighed down by lower revenue contribution from TNS and the broader warehousing and logistics segment amidst intense competition, offsetting continuous positive contribution from our wholly-owned ready-mix concrete manufacturing plant in China, Wuzhou Xing Jian. The Group was further burdened by the share of losses of our associate, GKE Metal, and joint venture, Ocean Latitude. To address this issue, we will be seeking shareholders’ approval to divest the joint venture.***”

The Group continues to generate a positive cash flow from our operating activities despite the weaker than expected performance for the quarter. The Group will continue to rationalise our business operations to focus on driving growth from our core warehousing and logistics business amidst the challenging market dynamics in the warehousing and logistics industry.”

Corporate Developments

The Group has commenced operations and management of the 39 Benoi Road warehouse cum office property. 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 cum office property has also been completed and awaiting for the lodgement of easement by Viva Industrial Real Estate Investment Trust (“**VI-REIT**”). Upon the lodgement, VI-REIT shall pay the Group a fee of S\$3 million and share the maintenance and repair costs of the ramp.

On 6 April 2018, the Group announced the notice of the extraordinary general meeting on 23 April 2018, to seek shareholders’ approval for the proposed divestment of its 50% stake in the joint venture, Ocean Latitude Limited, which owns the liquefied gas carrier vessel, Gas Aries.

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This news release is to be read in conjunction with the Company’s results announcement posted on the SGX website on 12 April 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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*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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