



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2018

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		
	2018	2017	%
	S\$'000	Restated S\$'000	change + / (-)
Continuing Operations			
Revenue	19,018	17,379	9.4
Cost of sales	(15,147)	(13,859)	9.3
Gross profit	3,871	3,520	10.0
Other income	821	417	96.9
Expenses			
Marketing and distribution costs	(65)	(227)	(71.4)
Administrative expenses	(3,737)	(3,429)	9.0
Finance costs	(675)	(381)	77.2
Other (expenses)/credit	(251)	73	N.M.
Share of result of associate	(154)	20	N.M.
Loss before tax from continuing operations	(190)	(7)	N.M.
Tax expense	(115)	(73)	57.5
Loss for the period from continuing operations	(305)	(80)	281.3
Discontinued operation			
Loss from discontinued operation, net of tax	-	(668)	N.M.
Loss for the period	(305)	(748)	(59.2)
Loss attributable to:			
Owners of the Company	(302)	(957)	(68.4)
Non-controlling interests	(3)	209	N.M.
	(305)	(748)	(59.2)
Owners of the Company			
Loss from continuing operations, net of tax	(302)	(289)	4.5
Loss from discontinued operation, net of tax	-	(668)	N.M.
Loss for the year attributable to owners of the Company	(302)	(957)	(68.4)
Non-controlling interests			
(Loss)/profit from continuing operations, net of tax	(3)	209	N.M.
(Loss)/profit for the year attributable to non-controlling interests	(3)	209	N.M.

Loss before tax includes the following items :

	The Group		
	Three months ended 31 August		
	2018	2017	%
	S\$'000	Restated S\$'000	change + / (-)
Audit fees payable to:			
- Auditors of the Company	(68)	(53)	28.3
Non-audit fees payable to:			
- Auditors of the Company	-	(8)	N.M.
Amortisation of land use rights	(26)	(27)	(3.7)
Amortisation of customer relationship	(290)	(334)	(13.2)
Depreciation of property, plant and equipment	(2,286)	(1,351)	69.2
Gain on disposal of investment in associate	538	-	N.M.
Gain on disposal of property, plant and equipment	-	168	N.M.
Grant income from government	7	167	(95.8)
Impairment of available-for-sale investments	-	(35)	N.M.
Fair value loss on financial assets	(170)	-	N.M.
Interest income	40	1	N.M.
Interest expense	(370)	(337)	9.8
Legal and professional fees	(190)	(50)	280.0
Net foreign exchange (loss)/gain	(251)	73	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 2018

	The Group		
	Three months ended 31 August		
	2018	2017	%
	S\$'000	Restated S\$'000	change + / (-)
Loss for the period	(305)	(748)	(59.2)
Other comprehensive income, net of tax			
Foreign currency translation	(772)	85	N.M.
Fair value loss on available-for-sale investments	-	(68)	N.M.
Share of foreign currency translation of associates	(68)	16	N.M.
Other comprehensive income for the period, net of tax	(840)	33	N.M.
Total comprehensive income for the period	<u>(1,145)</u>	<u>(715)</u>	60.1
Loss attributable to:			
Owners of the Company	(992)	(983)	0.9
Non-controlling interests	(153)	268	N.M.
Total comprehensive income for the period	<u>(1,145)</u>	<u>(715)</u>	60.1
Loss attributable to:			
<u>Owners of the Company</u>			
Total comprehensive income from continuing operations, net of tax	(992)	(315)	214.9
Total comprehensive income from discontinued operation, net of tax	-	(668)	N.M.
Total comprehensive income for the year attributable to owners of the Company	<u>(992)</u>	<u>(983)</u>	0.9



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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	
	31.08.2018	31.05.2018	01.06.2017	31.08.2018	31.05.2018
		Restated	Restated		Restated
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	119,929	122,696	107,127	123	142
Land use rights	4,560	4,794	4,745	-	-
Intangible assets	7,190	7,480	8,727	-	-
Investments in subsidiaries	-	-	-	51,959	51,959
Investment in associate	-	2,505	2,818	-	3,189
Investment in joint venture	-	-	9,228	-	-
Available-for-sale investments	-	640	697	-	640
Financial assets at fair value through profit or loss	470	-	-	470	-
Other receivables	-	-	-	5,041	5,150
Total non-current assets	132,149	138,115	133,342	57,593	61,080
Current assets					
Inventories	475	469	253	-	-
Trade and other receivables	24,488	22,770	19,116	15,724	13,321
Prepaid operating expenses	694	550	713	41	24
Fixed deposits (restricted)	2,265	2,180	2,180	-	-
Cash and cash equivalents	10,700	12,640	10,582	937	123
Total current assets	38,622	38,609	32,844	16,702	13,468
Total assets	170,771	176,724	166,186	74,295	74,548
EQUITY AND LIABILITIES					
Equity					
Share capital	78,165	78,165	78,165	78,165	78,165
Treasury shares	(672)	(672)	(1,216)	(672)	(672)
Accumulated (losses)/profit	(6,953)	(6,651)	2,806	(25,195)	(24,475)
Other reserves	110	800	1,029	(98)	(98)
Equity attributable to owners of the Company	70,650	71,642	80,784	52,200	52,920
Non-controlling interests	4,907	5,240	4,910	-	-
Total equity	75,557	76,882	85,694	52,200	52,920
Non-current liabilities					
Other liabilities	4,267	4,317	2,068	-	-
Borrowings	52,748	52,911	49,323	-	-
Deferred tax liabilities	400	449	646	-	-
Finance lease liabilities	-	-	454	-	-
Total non-current liabilities	57,415	57,677	52,491	-	-
Current liabilities					
Trade and other payables	7,996	8,130	7,594	20,998	19,148
Other liabilities	5,043	7,678	6,829	1,058	2,436
Borrowings	19,595	21,876	7,655	-	-
Finance lease liabilities	4,293	3,610	3,709	39	44
Tax payable	872	871	2,214	-	-
Total current liabilities	37,799	42,165	28,001	22,095	21,628
Total liabilities	95,214	99,842	80,492	22,095	21,628
Total equity and liabilities	170,771	176,724	166,186	74,295	74,548



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

	The Group		The Group	
	As at 31 August 2018		As at 31 May 2018	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
(a) Amount repayable in one year or less, or on demand				
Finance lease liabilities	4,293	-	3,610	-
Borrowings	19,595	-	21,876	-
(b) Amount repayable after one year				
Loan from non-controlling interests	-	569	-	595
Borrowings	52,748	-	52,911	-

(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. The loans from non-controlling interests are unsecured.

Finance leases are entered into for certain motor vehicles, trailers, forklifts and lifting equipment 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 were obtained for 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	
	2018	2017
	S\$'000	Restated S\$'000
Cash flow from operating activities		
Loss before tax from continuing operations	(190)	(7)
Loss before tax from discontinued operation	-	(668)
Loss before tax, total	(190)	(675)
Adjustments for:		
Amortisation of land use rights	26	27
Amortisation of customer relationship	290	334
Depreciation of property, plant and equipment	2,286	1,351
Gain on disposal of investment in associate	(538)	-
Gain on disposal of property, plant and equipment	(33)	(168)
Fair value loss on financial assets	170	35
Interest expense	370	337
Interest income	(40)	(1)
Property, plant and equipment written off	-	1
Share of results of joint venture	-	668
Share of results of associates	154	(20)
Effect of exchange rate changes	343	(154)
Operating cash flows before changes in working capital	2,838	1,735
Changes in working capital:		
Inventories	(6)	(31)
Trade and other receivables	810	(4,316)
Prepaid operating expenses	(144)	122
Trade and other payables	(134)	(594)
Other liabilities	(1,485)	(1,865)
Cash flows generated from/(used in) operations	1,879	(4,949)
Interest received	40	1
Income tax paid	(165)	(129)
Net cash flows generated from/(used in) operating activities	1,754	(5,077)
Cash flows from investing activities		
Sale proceed from disposal of investment in associate	293	-
Proceeds from disposal of available-for-sale investments	-	(51)
Proceeds from disposal of property, plant and equipment	87	401
Purchase of property, plant and equipment	(459)	(4,724)
Net cash flows used in investing activities	(79)	(4,374)
Cash flows from financing activities		
Interest paid	(370)	(337)
Proceeds from borrowings	925	8,921
Repayment of obligation under finance leases	(523)	(525)
Repayments of loans and borrowings	(3,344)	(1,052)
Dividend paid to non-controlling interest	(180)	-
Placement of short-term deposit - pledged	(85)	-
Net cash flows (used in)/ generated from financing activities	(3,577)	7,007
Net decrease in cash and cash equivalents	(1,902)	(2,444)
Cash and cash equivalents at the beginning of financial period	12,640	10,582
Effect of exchange rate changes on cash and cash equivalents	(38)	(39)
Cash and cash equivalents at the end of financial period ⁽¹⁾	10,700	8,099

Explanatory Notes:

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

	The Group	
	31.08.2018	31.08.2017
	S\$'000	S\$'000
Cash at banks and on hand	10,700	8,099
Fixed deposits (restricted)	2,265	2,180
	12,965	10,279
Fixed deposits charged with bank	(2,265)	(2,180)
Cash and cash equivalents	10,700	8,099



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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 S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Other reserves S\$'000	Total attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Balance as at 1 June 2017, previously reported	78,165	(1,216)	(640)	6,742	83,051	5,213	88,264
Effect of changes in accounting policy upon application of SFRS (I) 1	-	-	3,446	(5,713)	(2,267)	(303)	(2,570)
Balance as at 1 June 2017, restated	78,165	(1,216)	2,806	1,029	80,784	4,910	85,694
Loss for the period	-	-	(957)	-	(957)	209	(748)
<u>Other comprehensive income:</u>							
Fair value loss on available-for-sale investments	-	-	-	(68)	(68)	-	(68)
Foreign currency translation	-	-	-	26	26	59	85
Share of other comprehensive income of associate	-	-	-	16	16	-	16
Other comprehensive income for the period, net of tax	-	-	-	(26)	(26)	59	33
Total comprehensive income for the period	-	-	(957)	(26)	(983)	268	(715)
Balance as at 31 August 2017	78,165	(1,216)	1,849	1,003	79,801	5,178	84,979

The Group	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Other reserves S\$'000	Total attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
Balance as at 1 June 2018, previously reported	78,165	(672)	(11,261)	16,490	82,722	5,543	88,265
Effect of changes in accounting policy upon application of SFRS (I) 1	-	-	4,311	(15,391)	(11,080)	(303)	(11,383)
Effect of application of SFRS (I) 9	-	-	299	(299)	-	-	-
Balance as at 1 June 2018, restated	78,165	(672)	(6,651)	800	71,642	5,240	76,882
Loss for the period	-	-	(302)	-	(302)	(3)	(305)
<u>Other comprehensive income:</u>							
Fair value transfer to profit on	-	-	-	-	-	-	-
Effect of application of SFRS (I) 9	-	-	-	(622)	(622)	(150)	(772)
Foreign currency translation	-	-	-	(68)	(68)	-	(68)
Share of other comprehensive income of associate	-	-	-	(68)	(68)	-	(68)
Other comprehensive income for the period, net of tax	-	-	-	(690)	(690)	(150)	(840)
Total comprehensive income for the period	-	-	(302)	(690)	(992)	(153)	(1,145)
<u>Contributions by and distributions to owners:</u>							
Dividend paid to non-controlling interests						(180)	(180)
Total contributions by and distributions to owners	-	-	-	-	-	(180)	(180)
Total transactions with owners in their capacity as owners	-	-	-	-	-	(180)	(180)
Balance as at 31 August 2018	78,165	(672)	(6,953)	110	70,650	4,907	75,557



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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 2017	78,165	(1,216)	(17,066)	282	60,165
Loss for the period	-	-	(86)	-	(86)
<u>Other comprehensive income:</u> Fair value gain 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>

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 2018, previously reported	78,165	(672)	(24,774)	201	52,920
Effect of application of SFRS (I) 9	-	-	299	(299)	-
Balance as at 1 June 2018, restated	<u>78,165</u>	<u>(672)</u>	<u>(24,475)</u>	<u>(98)</u>	<u>52,920</u>
Loss for the period	-	-	(720)	-	(720)
Total comprehensive income for the period	-	-	(720)	-	(720)
Balance as at 31 August 2018	<u>78,165</u>	<u>(672)</u>	<u>(25,195)</u>	<u>(98)</u>	<u>52,200</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**
31.08.2018 31.05.2018

Total number of issued shares (excluding treasury shares):

Total number of issued shares		
At beginning and end of financial year	694,700,540	694,700,540
Treasury shares		
At beginning of the period	(6,168,650)	(11,168,650)
Treasury shares reissued pursuant to acquisition of a subsidiary ⁽¹⁾	-	5,000,000
At end of the period	(6,168,650)	(6,168,650)
Total	688,531,890	688,531,890

(1) During the last financial year, the company had transferred 5,000,000 treasury shares as part of the consideration for the acquisition of 70% of issued share capital of Marquis Services Pte Ltd pursuant to the terms of sale and purchase agreement, when the profit guarantee provided by the vendor has been fully met.

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.



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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 adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)") framework, on 1 June 2018 and has prepared its financial information under SFRS(I) for first quarter ended 31 August 2018. In addition to adopting all the applicable standards under SFRS(I), the Group also takes the opportunity to review the relevance of the accounting policy choices with the application of SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ended 31 May 2019), subject to mandatory exceptions and optional exemptions under SFRS(I) 1. The Group decided to elect the optional exemption SFRS(I) 1 to measure the leasehold land and buildings classified under property, plant and equipment held by the Group at the date of transition to IFRS using the original historical cost less accumulated depreciation and impairment. Any amount in asset revaluation reserve and its deferred tax liabilities relating to the leasehold land and buildings has been reversed as at 1 June 2017.

Statement of financial position line items	31-May-18	Adjustments		01-Jun-18
		SFRS(I) 1	SFRS(I) 9	
Group				
Non-current assets				
Property, plant and equipment	137,428	(14,732)	-	122,696
Available-for-sale investments (previously reported)	640	-	(640)	-
Financial assets at fair value through profit or loss (under SFRS(I) 9)	-	-	470	470
Non-current liabilities				
Deferred tax liabilities	3,798	(3,349)	-	449
Equity				
Accumulated losses	(11,261)	4,311	299	(6,651)
Other reserves	16,490	(15,391)	(299)	800
Non-controlling interests	5,543	(303)	-	5,240
Company				
Non-current assets				
Available-for-sale investments (previously reported)	640	-	(640)	-
Financial assets at fair value through profit or loss (under SFRS(I) 9)	-	-	470	470
Equity				
Accumulated losses	(24,774)	-	299	(24,475)
Other reserves	201	-	(299)	(98)

The equity investment held by the Company and the Group is determined as a financial asset to be measured as fair value through profit or loss under SFRS(I) 9. Under the previous classification as "available-for-sale investments", the changes in fair value were accounted for in other comprehensive income and accumulated in the fair value reserve.

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.

Please refer to paragraph 4 above.



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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

	The Group	
	Three months ended 31 August	
	2018	2017
Loss per share from continuing operations (in SGD cent)		
- Basic ⁽¹⁾	(0.04)	(0.04)
- Fully diluted ⁽²⁾	(0.04)	(0.04)
Loss per share from discontinued operations (in SGD cent)		
- Basic ⁽¹⁾	-	(0.10)
- Fully diluted ⁽²⁾	-	(0.10)
Loss per share, total (in SGD cent)		
- Basic ⁽¹⁾	(0.04)	(0.14)
- Fully diluted ⁽²⁾	(0.04)	(0.14)
(1) Calculated based on weighted average number of shares	688,531,890	683,531,890
(2) Calculated based on weighted average number of shares for diluted earnings	688,531,890	683,531,890

7. Net asset value ("NAV") (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.

	The Group		The Company	
	31.08.2018	31.05.2018 Restated	31.08.2018	31.05.2018 Restated
Net assets (S\$'000)	70,650	71,642	52,200	52,920
NAV per share (in SGD cents)	10.26	10.41	7.58	7.69
Number of shares used in calculating NAV	688,531,890	688,531,890	688,531,890	688,531,890

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

Review for 1Q FY19 vs 1Q FY18

Revenue

The Group recorded a 9.4% increase in revenue to S\$19.0 million for the three months ended 31 August 2018 ("1Q FY19"), compared with S\$17.4 million in the previous corresponding period. The increase was mainly due to higher revenue contributed by ready-mix concrete manufacturing plant, Wuzhou Xing Jian Readymix Co., Ltd ("Wuzhou Xing Jian") and higher warehousing storage revenue.

Cost of sales

Cost of sales increased by 9.3% from S\$13.8 million in the three months ended 31 August 2017 ("1Q FY18") to S\$15.1 million in 1Q FY19, in line with higher revenue. The increase was attributable to the additional expenses from Wuzhou Xing Jian.

Gross profit

For 1Q FY19, the Group's gross profit increased by 10.0% to S\$3.9 million, compared with S\$3.5 million in 1Q FY18 which was mainly derived from Wuzhou Xing Jian. The composite gross margin remains consistent in 1Q FY19.



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Other income

Other income increased from S\$0.4 million in 1Q FY18 to S\$0.8 million in 1Q FY19. This was mainly due to gain on disposal of 49% stake in its associate, GKE Metal Logistics Pte Ltd, as well as additional income including government's grants and insurance claims.

Marketing and distribution costs

Marketing and distribution costs decreased by S\$0.2 million in 1Q FY19, as a result of lower marketing activities incurred by Wuzhou Xing Jian.

Administrative expenses

Administrative expenses increased by 9.0% to S\$3.7 million in 1Q FY19 from S\$3.4 million in 1Q FY18. This was mainly due to increase in staff cost with the addition of TNS and increased production in Wuzhou Xing Jian, as well as the increase in the fair value adjustment for investment in available-for-sale financial assets.

Finance costs

Finance costs increased by S\$0.4 million to S\$0.7 million in 1Q FY19. This was mainly due to the higher loan interest incurred in the loan for redevelopment of 39 Benoi warehouse and purchase of equipment.

Other expenses/(credit)

Other expenses of S\$0.3 million in 1Q FY19 was mainly net foreign exchange loss, a reversal from other credit of S\$73,000 due to net exchange gain in 1Q FY18.

Share of result of associate

Share of result from associate reversed from a profit of S\$20,000 in 1Q FY18 to a loss of S\$154,000 in 1Q FY19. This was due to lower margin from the storage and shipment of metals and lower exchange gain.

Tax expense

Tax expenses arise due to profitable subsidiaries.

Loss from discontinued operation

The discontinued operation recorded a loss of S\$0.7 million in 1Q FY18 mainly derived from the share of loss of Ocean Latitude Limited due to depressed chartering rate for its 83,000m³ liquefied gas carrier vessel Gas Aries.

Other comprehensive income

Other comprehensive income for foreign currency translation was a result of the translation of the financial statement of the foreign subsidiary and associate from its functional currencies.

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

Non-current assets decreased by S\$6.0 million from S\$138.1 million as at 31 May 2018 to S\$132.1 million as at 31 August 2018. The decrease was mainly due to (i) decrease in property, plant and equipment due to depreciation and adjustment arising from the redevelopment of the 39 Benoi Road property, (ii) decrease in investment in associate due to disposal of associate; GKE Metal Logistics Pte Ltd and (iii) decrease in land use rights and intangible assets due to amortisation.

Current assets increased only slightly to S\$38.6 million as at 31 August 2018. This was mainly due to the increase in trade and other receivables resulting from higher trade receivables from Wuzhou Xing Jian and GKE Warehousing & Logistics Pte Ltd. The increase was partially offset by the decline in cash and cash equivalents from S\$12.6 million as at 31 May 2018 to S\$10.8 million as at 31 August 2018, which mainly due to the repayment of loan and borrowings and payment to vendor for the redevelopment of 39 Benoi road warehouse.

Non-current liabilities decreased by S\$0.3 million from S\$57.7 million as at 31 May 2018 to S\$57.4 million as at 31 August 2018. The reduction is mainly due to the repayment of borrowings.

Current liabilities decreased by S\$4.4 million from S\$42.2 million as at 31 May 2018 to S\$37.8 million as at 31 August 2018. The decrease was mainly due to (i) the decrease in trade and other payables; (ii) the decrease in other liabilities due to reversal of accruals; and (iii) decrease in borrowings due to the repayment of borrowings. This was offset by the increase in finance lease liabilities due to the purchase of fixed assets.

Shareholders' equity decreased from S\$71.7 million as at 31 May 2018 to S\$70.6 million as at 31 August 2018 due to the lower translation reserves and losses for the period under review.



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STATEMENT OF CASH FLOWS

During 1Q FY19, the net cash generated from operations amounted to approximately S\$1.8 million. This comprises positive operating cash flows before changes in working capital of S\$2.8 million, adjusted by net working capital outflow of S\$0.9 million, interest received and taxes paid of S\$40,000 and S\$0.2 million, respectively.

Net cash used in investing activities of S\$79,000 was mainly due purchase of fixed assets of S\$0.5 million which was partially offset by the sale proceed of 49% investment in associate company and disposal of fixed assets amounting to S\$0.3 million and S\$0.1 million, respectively.

Net cash used in financing activities for 1Q FY19 was S\$3.5 million. This was mainly attributable to the repayment of loans, finance leases and interest expenses which was partially offset from the proceeds from bank borrowings of S\$0.9 million.

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 remains cautious with the global economic and business environment becoming more challenging. Gradual increase in US interest rates is tightening financial conditions globally, and have contributed to bouts of volatility. Recent concerns over global trade tension between China and US have also contributed to heightened business uncertainty in the region. Amidst the uncertainty in the global market, the Group shall continue to monitor its business environment and manage its operating costs and continue to drive synergies among the subsidiaries within its core warehousing & logistics division.

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.

The Group has not obtained a general mandate for IPT. There are no reportable IPT in this reporting period.

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 2018 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 2018

This announcement has been prepared by the Company and its contents have 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:-

*Name: Mr Nathaniel C.V. (Registered Professional, RHT Capital Pte. Ltd.)
Address: 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619
Tel: (65) 6381 6757*