



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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		
	2019	2018	% change
	S\$'000	S\$'000	+ / (-)
Revenue	25,435	19,018	33.7
Cost of sales	(21,062)	(15,147)	39.1
Gross profit	<u>4,373</u>	<u>3,871</u>	13.0
Other income	667	821	(18.8)
Expenses			
Marketing and distribution costs	(56)	(65)	(13.8)
Administrative expenses	(3,301)	(3,737)	(11.7)
Finance costs	(676)	(675)	0.1
Other expenses	(138)	(251)	(45.0)
Share of results of associates	-	(154)	N.M.
Profit/(Loss) before tax	<u>869</u>	<u>(190)</u>	N.M.
Tax expense	(635)	(115)	452.2
Profit/(Loss) for the period	<u><u>234</u></u>	<u><u>(305)</u></u>	N.M.
Profit/(Loss) attributable to:			
Owners of the Company	254	(302)	N.M.
Non-controlling interests	(20)	(3)	N.M.
	<u><u>234</u></u>	<u><u>(305)</u></u>	N.M.

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

	The Group		
	Three months ended 31 August		
	2019	2018	% change
	S\$'000	S\$'000	+ / (-)
Audit fees payable to:			
- Auditors of the Company	(33)	(68)	(51.5)
Amortisation of land use rights	(26)	(26)	-
Amortisation of customer relationship	(76)	(290)	(73.8)
Depreciation of property, plant and equipment	(2,262)	(2,286)	(1.0)
Depreciation of right-of-use assets	(1,658)	-	100.0
Gain on disposal of investment in associate	-	538	(100.0)
Gain on disposal of investment in subsidiary	294	-	100.0
Gain on disposal of property, plant and equipment	31	33	(6.1)
Grant income from government	149	7	N.M.
Fair value gain/(loss) on financial assets	57	(170)	N.M.
Fair value loss on contingent consideration	(292)	-	100.0
Interest income	27	40	(32.5)
Interest expense	(431)	(370)	16.5
Legal and professional fees	(76)	(190)	(60.0)
Net foreign exchange loss	(138)	(251)	(45.0)

N.M. denotes not meaningful.



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

1 (a)(i) Consolidated Statement of Comprehensive Income for the period ended 31 August 2019

	The Group		
	Three months ended 31 August		
	2019	2018	% change
	S\$'000	S\$'000	+ / (-)
Profit/(Loss) for the period	234	(305)	N.M.
Other comprehensive income, net of tax			
Foreign currency translation	(559)	(772)	(27.6)
Share of foreign currency translation of associates	-	(68)	N.M.
Other comprehensive income for the period, net of tax	(559)	(840)	(33.5)
Total comprehensive income for the period	<u>(325)</u>	<u>(1,145)</u>	(71.6)
Loss attributable to:			
Owners of the Company	(218)	(992)	(78.0)
Non-controlling interests	(107)	(153)	(30.1)
Total comprehensive income for the period	<u>(325)</u>	<u>(1,145)</u>	(71.6)



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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	
	31.08.2019 S\$'000	31.05.2019 S\$'000	31.08.2019 S\$'000	31.05.2019 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	112,680	114,845	73	88
Land use rights	4,329	4,480	-	-
Right-of-use assets	20,985	-	-	-
Intangible assets	4,760	4,836	-	-
Investments in subsidiaries	-	-	47,959	47,959
Investment in associates	14	14	-	-
Financial assets at fair value through profit or loss	362	285	342	285
Other receivables	-	-	4,117	4,202
Prepayments	1,011	1,040	-	-
Total non-current assets	144,141	125,500	52,491	52,534
Current assets				
Inventories	280	395	-	-
Trade and other receivables	31,941	31,471	10,747	10,293
Prepaid operating expenses	1,150	986	162	143
Fixed deposits (restricted)	2,265	2,265	-	-
Cash and cash equivalents	16,519	9,396	9,836	2,988
Total current assets	52,155	44,513	20,745	13,424
Total assets	196,296	170,013	73,236	65,958
EQUITY AND LIABILITIES				
Equity				
Share capital	85,145	78,165	85,145	78,165
Treasury shares	(672)	(672)	(672)	(672)
Accumulated losses	(10,302)	(9,208)	(30,916)	(30,341)
Other reserves	153	534	(97)	(97)
Equity attributable to owners of the Company	74,324	68,819	53,460	47,055
Non-controlling interests	4,616	4,933	-	-
Total equity	78,940	73,752	53,460	47,055
Non-current liabilities				
Other liabilities	2,959	3,032	-	-
Lease liabilities	15,583	-	-	-
Borrowings	59,485	59,995	-	-
Deferred tax liabilities	421	433	-	-
Finance lease liabilities	2,316	2,453	-	2
Total non-current liabilities	80,764	65,913	-	2
Current liabilities				
Trade and other payables	11,841	13,897	18,753	17,906
Other liabilities	5,429	5,136	1,005	973
Lease liabilities	6,678	-	-	-
Borrowings	10,269	9,295	-	-
Finance lease liabilities	1,387	1,194	18	22
Tax payable	988	826	-	-
Total current liabilities	36,592	30,348	19,776	18,901
Total liabilities	117,356	96,261	19,776	18,903
Total equity and liabilities	196,296	170,013	73,236	65,958



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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

	The Group		The Group	
	As at 31 August 2019		As at 31 May 2019	
	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	1,387	-	1,194	-
Borrowings	10,269	-	9,295	-
(b) Amount repayable after one year				
Loan from non-controlling interests	-	636	-	591
Finance lease liabilities	2,316	-	2,453	-
Borrowings	59,485	-	59,995	-

(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, 39 Benoi Road and the construction of the warehouse in Yangshan Shanghai, China.

Borrowings are secured by proportional corporate guarantee from GKEC and non-controlling interests, first legal mortgage over the properties located at 6 Pioneer Walk, 7 Kwong Min Road and 39 Benoi Road and fixed charged over 100% shareholding in the share capital of a subsidiary, Van der Horst (Shanghai) Logistics Co. Ltd.



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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	
	2019	2018
	S\$'000	S\$'000
Cash flow from operating activities		
Profit/(Loss) before tax	869	(190)
Adjustments for:		
Amortisation of land use rights	26	26
Amortisation of customer relationships	76	290
Depreciation of property, plant and equipment	2,262	2,286
Depreciation of right-of-use assets	1,658	-
Gain on disposal of subsidiary	(294)	-
Gain on disposal of investment in associates	-	(538)
Gain on disposal of property, plant and equipment	(31)	(33)
Fair value loss on contingent liabilities	292	-
Fair value (gain)/loss on financial assets	(57)	170
Interest expense	431	370
Interest income	(27)	(40)
Share of results of associates	-	154
Effect of exchange rate changes	85	343
Operating cash flows before changes in working capital	5,290	2,838
Changes in working capital:		
Inventories	115	(6)
Trade and other receivables	(1,690)	810
Prepaid operating expenses	(136)	(144)
Trade and other payables	(530)	(134)
Other and lease liabilities	(1,421)	(1,485)
Cash flows generated from operations	1,628	1,879
Interest received	27	40
Income tax paid	(530)	(165)
Net cash flows generated from operating activities	1,125	1,754
Cash flows from investing activities		
Net cash outflow on disposal of subsidiary	(185)	-
Sale proceed from disposal of investment in associates	-	293
Financial assets at fair value through profit or loss	(19)	-
Proceeds from disposal of property, plant and equipment	34	87
Purchase of property, plant and equipment	(187)	(459)
Net cash flows used in investing activities	(357)	(79)
Cash flows from financing activities		
Interest paid	(431)	(370)
Issuance of ordinary shares, net	6,980	-
Loan from non-controlling interests	63	-
Proceeds from borrowings	2,064	925
Repayment of obligation under finance leases	(552)	(523)
Repayments of loans and borrowings	(1,572)	(3,344)
Dividend paid to non-controlling interest	(210)	(180)
Placement of short-term deposit - pledged	-	(85)
Net cash flows generated from/(used in) financing activities	6,342	(3,577)
Net increase/(decrease) in cash and cash equivalents	7,110	(1,902)
Cash and cash equivalents at the beginning of financial period	9,396	12,640
Effect of exchange rate changes on cash and cash equivalents	13	(38)
Cash and cash equivalents at the end of financial period ⁽¹⁾	16,519	10,700



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

Explanatory notes:

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

	The Group	
	31.08.2019	31.08.2018
	S\$'000	S\$'000
Cash at banks and on hand	16,519	10,700
Fixed deposits (restricted)	2,265	2,265
	18,784	12,965
Fixed deposits charged with bank	(2,265)	(2,265)
Cash and cash equivalents	16,519	10,700

(2) The Group disposed G-Chem Logistics Pte Ltd, a wholly-owned subsidiary, on 18 June 2019. The value of assets and liabilities of G-Chem Logistics Pte Ltd recorded in the financial statements as at disposal date, and the cash flow effect of the disposal were as follows:

	Total
	S\$'000
Property, plant and equipment	455
Trade and other receivables	608
Prepaid operating expenses	1
Cash and cash equivalents	185
Total assets	1,249
Trade and other payables	1,251
Other liabilities	(2)
Finance lease liabilities	294
Total liabilities	1,543
Gain on disposal of subsidiary	(294)
Cash and bank balances of subsidiary disposed	(185)
Net cash outflow on disposal of subsidiary	(185)



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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 2019

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 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>							
Foreign currency translation	-	-	-	(622)	(622)	(150)	(772)
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>							
Dividen paid to non-controlling interest	-	-	-	-	-	(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
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 2019	78,165	(672)	(9,208)	534	68,819	4,933	73,752
Adoption of SFRS(I) 16	-	-	(1,257)	-	(1,257)	-	(1,257)
Adjusted balance at 1 June 2019	78,165	(672)	(10,465)	534	67,562	4,933	72,495
Issuance of ordinary shares, net	6,980	-	-	-	6,980	-	6,980
Profit for the period	-	-	254	-	254	(20)	234
<u>Other comprehensive income:</u>							
Foreign currency translation	-	-	-	(472)	(472)	(87)	(559)
Other comprehensive income for the period, net of tax	-	-	-	(472)	(472)	(87)	(559)
Total comprehensive income for the period	-	-	254	(472)	(218)	(107)	(325)
<u>Contributions by and distributions to owners:</u>							
Dividend paid to non-controlling interest	-	-	-	-	-	(210)	(210)
Total contributions by and distributions to owners	-	-	-	-	-	(210)	(210)
Total transactions with owners in their capacity as owners	-	-	-	-	-	(210)	(210)
Others							
Transfer to statutory reserve	-	-	(91)	91	-	-	-
Balance as at 31 August 2019	85,145	(672)	(10,302)	153	74,324	4,616	78,940



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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 2019

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	78,165	(672)	(24,475)	(98)	52,920
Loss for the period	-	-	(720)	-	(720)
Total comprehensive income for the period	-	-	(720)	-	(720)
Balance as at 31 August 2018	78,165	(672)	(25,195)	(98)	52,200

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 2019	78,165	(672)	(30,341)	(97)	47,055
Issuance of ordinary shares, net	6,980	-	-	-	6,980
Loss for the period	-	-	(575)	-	(575)
Total comprehensive income for the period	-	-	(575)	-	(575)
Balance as at 31 August 2019	85,145	(672)	(30,916)	(97)	53,460



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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	
	31.08.2019	31.05.2019
Total number of issued shares (excluding treasury shares):		
Total number of issued shares		
At beginning of financial year	694,700,540	694,700,540
Issuance of ordinary shares ⁽¹⁾	100,000,000	-
At end of financial period ended	<u>794,700,540</u>	<u>694,700,540</u>
Treasury shares		
At beginning and end of the period	<u>(6,168,650)</u>	<u>(6,168,650)</u>
Total	<u>788,531,890</u>	<u>688,531,890</u>

(1) During the period under review, the Company has issued 100,000,000 ordinary shares at \$0.07 per share. Please refer to the Company's announcements dated 6 May 2019, 21 May 2019, 17 July 2019 and 22 July 2019 relating to the placement of 100,000,000 ordinary shares in the Company for more information.

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 use of treasury shares as at end of the current financial period reported on.

There are no sales, transfer, disposal, cancellation and/or use of treasury shares as at 31 August 2019.

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.

There are no sales, transfers, cancellation and/or use of subsidiary holdings as at 31 August 2019.

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.



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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 method of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 May 2019, except for SRFS(I) 16 Leases as disclosed in paragraph 5 below.

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.

SRFS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group adopted SFRS(I) 16 using the modified retrospective approach with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 June 2019, with no restatement of comparative information.

On the adoption of SRFS(I) 16, the Group chose, on a lease-by-lease basis, to measure the ROU asset at either:

- i. its carrying amount as if SRFS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 June 2019; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in balance sheet immediately before 1 June 2019.

In addition, the Group elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SRFS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 June 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

Impact on Consolidated Profit and Loss Account

The expenses related to operating leases previously shown in the Consolidated Profit and Loss Account under "Cost of Sale" are replaced by depreciation of ROU assets and finance charges on lease liabilities.

Impact on Statements of Financial Position (in S\$'000)

	At 1 June 2019 Increase/(decrease) The Group
<u>Equity</u>	
Accumulated loss	(1,257)
<u>Liabilities</u>	
Lease liabilities (non-current)	17,283
Lease liabilities (current)	6,617
<u>Assets</u>	
Right-of-use assets	22,643



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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	
	2019	2018
Profit/(Loss) per share, total (in SGD cent)		
- Basic ⁽¹⁾	0.03	(0.04)
- Fully diluted ⁽²⁾	0.03	(0.04)
(1) Calculated based on weighted average number of shares	733,693,180	688,531,890
(2) Calculated based on weighted average number of shares for diluted earnings	733,693,180	688,531,890

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	
	31.08.2019	31.05.2019	31.08.2019	31.05.2019
Net assets (S\$'000)	74,324	68,819	53,460	47,055
NAV per share (in SGD cents)	9.43	10.00	6.78	6.83
Number of shares used in calculating NAV	788,531,890	688,531,890	788,531,890	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 31 August 2019 ("1Q FY20") vs 31 August 2018 ("1Q FY19")

Revenue

The Group recorded a 33.7% increase in revenue to S\$25.4 million for the three months ended 1Q FY20, compared with S\$19.0 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"), coupled with an increase in storage and trucking from logistics segment.

Cost of sales

Cost of sales increased by 39.1% from S\$15.1 million in the three months ended 1Q FY19 to S\$21.1 million in 1Q FY20, in tandem with increased revenue.

Gross profit

For 1Q FY20, the Group's gross profit increased by 13.0% to S\$4.4 million, compared with S\$3.9 million in 1Q FY19. The improvement was attributable mainly to Wuzhou Xing Jian and increase in trucking service revenue in Singapore. The Group's gross margin declined from 20.4% in 1Q FY19 to 17.2% in 1Q FY20, mainly due to lower gross margin from warehousing and logistics segment as a result of market competition.

Other income

Other income decreased from S\$0.8 million in 1Q FY19 to S\$0.7 million in 1Q FY20. This was mainly due to a gain of S\$0.5 million from the disposal of an associate, GKE Metal Logistics Pte Ltd in 1Q FY19 as compared to a gain of S\$0.3 million from the disposal of a subsidiary, G-Chem Logistics Pte Ltd, in 1Q FY20.

Marketing and distribution costs

Marketing and distribution costs decreased by S\$9,000 in 1Q FY20, as a result of lower marketing activities from Wuzhou Xing Jian.



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

Administrative expenses

Administrative expenses decreased by 11.7% to S\$3.3 million in 1Q FY20 from S\$3.7 million in 1Q FY19. This was mainly due to decrease in (i) the fair value adjustment for financial assets at fair value through profit or loss by S\$0.2 million, (ii) amortisation expenses of customer relationship by S\$0.2 million, and (iii) legal and professional expenses by S\$0.1 million, offset by the increase in staff costs.

Finance costs

There is no significant fluctuation of finance costs in 1Q FY20.

Share of results of associates

The absence of share of loss from associates in 1Q FY20 was due to the disposal of GKE Metal Logistics Pte Ltd in 1Q FY19.

Tax expense

Tax expense increased was mainly due to higher taxable profit from Wuzhou Xing Jian.

Other comprehensive income

Other comprehensive income for foreign currency translation arose from the translation of the financial statement of the foreign subsidiaries.

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

STATEMENT OF FINANCIAL POSITION

Non-current assets increased by S\$18.6 million from S\$125.5 million as at 31 May 2019 to S\$144.1 million as at 31 August 2019. The increase was due to the adoption of new SFRS(I) 16 resulting in recognising right-of-use assets of S\$20.9 million. This was offset by the decrease in (i) property, plant and equipment due to depreciation of property, plant and equipment, and (ii) land use rights and intangible assets due to amortisation.

Current assets increased by S\$7.6 million as at 31 August 2019. This was mainly due to the increase in trade and other receivables resulting from higher trade receivables from Wuzhou Xing Jian and GKE Express Logistics Pte Ltd and increase in cash and cash equivalents from S\$9.4 million as at 31 May 2019 to S\$16.5 million as at 31 August 2019.

Non-current liabilities increased by S\$14.9 million from S\$65.9 million as at 31 May 2019 to S\$80.8 million as at 31 August 2019. The increase was mainly due to the adoption of new SFRS(I) 16 resulting in recognising lease liabilities of S\$15.6 million. This was offset by the decrease in borrowing and finance lease liabilities due to the repayment.

Current liabilities increased by S\$6.2 million from S\$30.3 million as at 31 May 2019 to S\$36.6 million as at 31 August 2019. The increase was mainly due to the adoption of SFRS(I) 16 in recognising lease liabilities of S\$6.7 million, increase in other liabilities and borrowings due to expansion of investment in Wuzhou Xing Jian. The increase was offset with the reduce in trade and other payables due to disposal of subsidiary, G-Chem Logistics Pte Ltd.

Shareholders' equity increased from S\$73.8 million as at 31 May 2019 to S\$78.9 million as at 31 August 2019 mainly due to the issuance of ordinary shares during the period pursuant to the placement of 100,000,000 ordinary shares. This was offset by an adjustment to the opening balance for retained earnings at the date of the initial application of SFRS(I) 16 on June 2019.

STATEMENT OF CASH FLOWS

During 1Q FY20, the net cash generated from operations amounted to approximately S\$1.1 million. This comprises positive operating cash flows before changes in working capital of S\$5.3 million, adjusted by net working capital outflow of S\$3.7 million, interest received and taxes paid of S\$27,000 and S\$0.5 million, respectively.

Net cash used in investing activities of S\$0.4 million was mainly due to purchase of property, plant and equipment amounting to S\$0.1 million and disposal of a subsidiary.

Net cash generated from financing activities of S\$6.3 million was mainly due to the issuance of ordinary shares via a placement and the proceeds from bank borrowings of S\$2.1 million which was partially offset with the repayment of loans, finance leases and interest expenses.



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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. Recent concerns over global trade tension between China and the 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 deriving synergies among the subsidiaries within its core warehousing & logistics division.

In China, the Group is embarking on a few new projects, including a recycling plant for construction of raw material as announced earlier. Despite the slowing macro economy, the Group still sees a strong demand of such materials due to its limited resources.

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.

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

After deliberation, the Board has adopted a prudent approach to conserve cash amidst the current challenging business environment. As such, no interim dividend has been proposed for 1Q FY2020.

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 its knowledge, nothing has come to its attention which may render the first quarter financial results of the Company and of the Group for the period ended 31 August 2019 to be false or misleading in any material aspect.



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019

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
11 October 2019

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: Lay Shi Wei (Registered Professional, RHT Capital Pte. Ltd.)
Address: 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619
Tel: (65) 6381 6757*