



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS FROM SHAREHOLDERS AND SIAS

The Board of Directors (“**Board**”) of GKE Corporation Limited (“**Company**” or “**GKE**”, and together with its subsidiaries, the “**Group**”) refers to the following:

- (a) the annual report of the Company for the financial year ended 31 May 2021 (“**FY2021**”);
- (b) the notice of annual general meeting (“**AGM**”) issued on 10 September 2021 informing the shareholders of the Company that the AGM will be convened and held by way of electronic means on 29 September 2021 at 10.00 a.m.;
- (c) the accompanying announcement in relation to the AGM (“**AGM Announcement**”)
- (d) the notice of extraordinary general meeting (“**EGM**”) issued on 10 September 2021 informing the shareholders of the Company that the EGM will be convened and held by way of electronic means on 29 September 2021 at 10:30 a.m. (or immediately after the conclusion or adjournment of the AGM of the Company to be held at 10.00 a.m. on the same day and at the same place); and
- (e) the accompanying announcement in relation to the EGM (“**EGM Announcement**”).

In addition, the Company would like to thank shareholders for their co-operation in submitting their queries in accordance to the deadline set out in the AGM and EGM Announcement. The Company has set out its responses to the relevant questions in this announcement.

BY ORDER OF THE BOARD

Neo Cheow Hui
Chief Executive Officer and Executive Director
28 September 2021

*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, RHT Capital Pte. Ltd. (“**Sponsor**”) for compliance with the relevant rules of 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 SGX-ST and 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 contact person for the Sponsor is Mr Lay Shi Wei - Registered Professional, 6 Raffles Quay, #24-02, Singapore 048580, sponsor@rhtgoc.com

Shareholder Question 1:

Refer to Addendum dated 10/09/21

1: (Pg 19) After share purchase - All directors' holdings = 38.27% less 100% = 61.73% publicly held. And not 61.13% as stated on page 18

2: (Pg 18) 2nd paragraph. You stated 61.13% publicly held. What happened to the 0.06% (61.73-61.13%)?

3: Directors fees - What extraordinary contributions besides performing the normal duties that deserve a raise to 162K. Any justifications?

Company's Response to Shareholder Question 1

1 and 2: The percentage of shares held in public as at the latest practicable date is 61.13%. Assuming the company purchases its Shares through Market purchases up to the 10% limit, the % of shares held by public is 56.81%. To derive the calculation of shares held by public, we will need to refer to SGX rules on the definition of Public shares.

3: The Director fees are recommended by the remuneration committee after taking into consideration their roles and responsibilities in the Board and also benchmarking to the market.

Shareholder Question 2

With regards to the recent supply chain bottlenecks situation experienced globally, what positive factors have been experienced by the Group's warehousing & logistics business recently?

Company's Response to Shareholder Question 2

At this juncture, we are seeing a surge in demand for quality warehousing space. However, there is no certainty on how long such a situation can last, especially with the increase in supply of warehousing space coupled with the world moving back to normalcy. The Group will keep a view on the development of the situation and react accordingly.

Shareholder Question 3

And what negative factors have been experienced by the Group's warehousing & logistics business recently?

Company's Response to Shareholder Question 3

Refer to Company's Response to Shareholder Question 2.

Shareholder Question 4

On page 5 of the Annual Report, it was stated that there was "... an increase in trucking volume in our Singapore warehousing & logistics operations ". Despite being so, on page 92 of the Annual Report, why revenue from "Services rendered" declined by 26.5% from \$46.656m in 2020 to \$34.283m in 2021? Was it due to more drastic decline in trucking rates in 2021?

Company's Response to Shareholder Question 4

The decrease in service rendered revenue is mainly due to some customers who are in the segment that are affected by the pandemic.

Shareholder Question 5

Please refer to page 60 of the Annual Report about "Impairment assessment on goodwill". In the 2nd paragraph, it was stated that "Following management's assessment, the Group recognised an impairment charge of \$402,000 during the financial year against the goodwill allocated to GKE Services Pte. Ltd., which resulted in the carrying amount of goodwill allocated to GKE Services Pte. Ltd. reduced to \$2,026,000 as at 31 May 2021." What went wrong with its "Provision of port operations and logistics services, stevedoring and freight forwarding services"?

Company's Response to Shareholder Question 5

As one of GKE Services Pte Ltd's customers is affected by the pandemic and the Group does not foresee their return in a short period of time. Hence, the impairment charge to reflect the situation.

Shareholder Question 6

Please refer to page 109 of the Annual Report about "Investments in associates". For "Investments in associates", their "Share of post-acquisition loss" has increased 4.1times from -\$29K in 2020 to -\$120K in 2020. Was it mainly due to "TNS Ocean Lines International Private Limited (India)" or "Cenxi Haoyi Recycling Co., Ltd"? What went wrong?

Company's Response to Shareholder Question 6

The losses mainly arise from our new associate, Cenxi Haoyi Recycling Co., Ltd, due to expenses incurred for starting up the business.

Shareholder Question 7

Please refer to page 92 of the Annual Report about "Revenue". Why "Rental income" managed to increase as much as 41.0% from \$22.450m in 2020 to \$31.660m in 2021, during the same period when "Services rendered" had declined by 26.5% from \$46.656m in 2020 to \$34.283m in 2021?

Company's Response to Shareholder Question 7

Revenue rental merely relates to our storage income which is enjoying a high occupancy now.

Shareholder Question 8

Please refer to page 139 of the Annual Report about "Segment information". For "Agriculture" segment, why it incurred a segment loss of -\$110K in 2021?

Company's Response to Shareholder Question 8

The losses are mainly due to expenses for starting up.

Shareholder Question 9

Please refer to page 14 of the Annual Report about “Performance Review”. In the 4th paragraph, it was stated that “... (iii) the diversification into agri-tech business, GKE Agritech Pte. Ltd. (“GKE Agritech”), by converting the unutilised office space in one of its Singapore warehouse premise into indoor vegetables cultivation area.” Don’t it make more financial sense to rent/sell the “unutilised office space” rather than venture into a completely new business activity & taking on unknown risk?

Company’s Response to Shareholder Question 9

Under the regulation, rental of office space solely is disallowed.

Shareholder Question 10

Please refer to page 1 of the Annual Report about “Corporate profile”. In the 4th paragraph, it was stated that “Through Wuzhou Xing Jian, the Group has also extended its investment to (i) a construction material waste recycling plant in Cenxi City, and (ii) the mining and production of limestone products in Cangwu County, where Wuzhou Xing Jian holds the mining rights of a limestone mine.” Can the Board share the individual websites for the “construction material waste recycling plant in Cenxi City” and “mining and production of limestone products in Cangwu County”? I will like to take a look at their online touch-points (e.g. photos) with our customers.

Company’s Response to Shareholder Question 10

The mentioned companies do not have its own website.

Shareholder Question 11

Please refer to page 93 of the Annual Report about “Profit before tax”. Noted that that the net carrying amount of the Group’s mining rights was \$1.050m. How profitable have these mining rights in Cangwu County been in FY2021?

Company’s Response to Shareholder Question 11

The mining activities have not commenced.

Shareholder Question 12

Please refer to page 108 of the Annual Report about “Disposal of subsidiaries”. May I ask the Audit Committee what efforts had been taken by the Audit Committee to recover before “Receivables written off” of \$3.227m at Van Der Horst Logistics Limited was approved?

Company’s Response to Shareholder Question 12

The writing off of the relevant receivables was part of the sale transaction and was taken into account in determining the terms of the sale.

Shareholder Question 13

Please refer to page 93 of the Annual Report about “Profit before tax”. May I ask the Audit Committee why “Allowance for expected credit loss” has increased 2.7times from \$290K in 2020 to \$789K in 2021? Was it mainly from Singapore or from China? Who were affected?

Company’s Response to Shareholder Question 13

The allowance for expected credit losses has increased significantly mainly due to the long outstanding debtors from our China operations.

Shareholder Question 14

Please refer to page 111 of the Annual Report about “Trade and other receivables”. May I ask the Audit Committee how much of the \$40.973m “Trade receivables” have been collected so far?

Company’s Response to Shareholder Question 14

The Group has received approximately 53% of these receivables.

Shareholder Question 15

Please refer to page 118 of the Annual Report about “Other liabilities”. May I ask the Audit Committee why “Accrued operating expenses” increased by as much as 47.9% from \$4.812m in 2020 to \$7.117m in 2021?

Company’s Response to Shareholder Question 15

The increase in accrued operating expenses is in line with the increase in activities in both third party logistics and infrastructural logistics, and provision in withholding taxes.

Shareholder Question 16

Please refer to page 126 of the Annual Report about “Commitments”. How will the “commitments” trend be like over the next 2-3 years? How will they be funded?

Company’s Response to Shareholder Question 16

The Company is looking out for expansion opportunities and when such opportunities crystallise, the expected commitment will increase in tandem.

Shareholder Question 17

Please refer to page 32 of the Annual Report about “Report of corporate governance”. Noted that only one of the Directors and Key Management Personnel saw an increase in remuneration band i.e. the remuneration band for Executive Chairman and Executive Director Mr Chen Yong Hua has increased from “S\$250,000 to S\$500,000” in 2020 to “S\$500,000 to S\$750,000” in 2021. In addition, on page 32 of the Annual Report, the “Salaries, fees and benefits-in-kind” for “Directors of the Company” has increased by 30.2% from \$1.124m in 2020 to \$1.464m in 2021. Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase? How much is attributable to each of these remuneration factor(s)?

Company's Response to Shareholder Question 17

Please refer to Principle 7 of the Corporate Governance Report. As indicated, the remuneration has a fixed and variable component. One of the key performance indicators that will affect the variable component is the performance of the Group. Thus, the variable component has increased in tandem with the improved financial performance of the Group.

Shareholder Question 18

If one of the remuneration factors was due to the \$2.549m gain on disposal of Van Der Horst Logistics Limited, has the Remuneration Committee taken into consideration the \$3.227m "Receivables written off"?

Company's Response to Shareholder Question 18

Yes.

Shareholder Question 19

Furthermore, what will happen when grant income from government tapers off?

Company's Response to Shareholder Question 19

Grant income is subject to the budget of Singapore government and there is no certainty that any future grants will be given.

Shareholder Question 20

On page 31 of the Annual Report about "Principle 7", It was stated that "The Company has a remuneration policy". However, on page 39 of the Annual Report about "Principle 11", it was stated that "The Group does not have a formal dividend policy at present". May I ask the Independent Directors why there is a remuneration policy for yourselves & key management personnel, while there is not a dividend policy for shareholders?

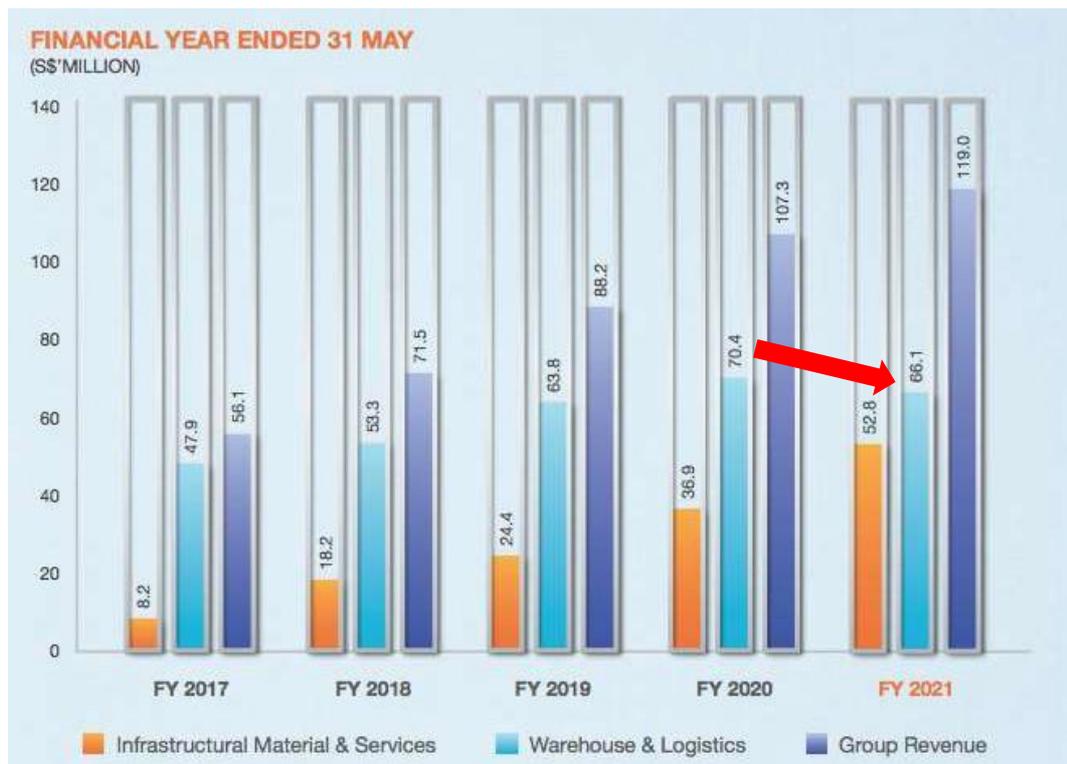
Company's Response to Shareholder Question 20

These 2 policies are different in nature and are subjected to different considerations by the Board. For the Group to declare a dividend, we will need to take into account, among others, the cashflow, capital expenditure and other investment requirements.

SIAS Question 1

Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:

- (i) Ready-mix concrete (“RMC”): What were the utilisation rates of the group’s RMC manufacturing facilities and of its mixer trucks in FY2021? The group raised its installed production capacity from 800,000 m³ per annum to 1.2 million m³ per annum in late 2020. Can management elaborate further on the growth drivers in Guangxi, China? How sustainable is the growth?
- (ii) Warehousing and logistics: In the letter to shareholders, it was disclosed that the group benefitted from “higher utilisation of warehouse space at better rental rates as well as an increase in trucking volume in our Singapore warehousing & logistics operations” (page 5 of the annual report). However, it is noted that segment revenue from the warehouse & logistics segment decreased from \$70.4 million to \$66.1 million.



Adapted from company annual report (emphasis added)

Can management reconcile the positive commentary of “higher utilisation and better rental rates” with the drop in segment revenue in FY2021?

- (iii) GKE Agritech: How much capital has the board earmarked to support the group’s diversification into controlled-environment agriculture in Singapore? Who is driving the group’s agriculture activities? What is management’s expertise and track record in agriculture? In the board approval process, what is the projected ROI for the new agriculture business?

- (iv) Mining rights: Can the board/management update shareholders on the progress of the limestone mine in Cangwu County that was first announced by the company in May 2019? Would the company be seeking shareholders' approval if the risk profile of the group is significantly altered with the diversification into limestone mining?
- (v) Trade receivables: Trade receivables increased to \$40.97 million as at 31 May 2021 from \$30.95 million a year ago even though revenue increased by approximately 11%. The "impairment of trade receivables" is also a key audit matter (KAM) highlighted by the independent auditor in their report on the audit of the financial statements. As noted in the KAM, trade receivables represent 19.3% of the group's total assets on the consolidated financial statements and is significant to the group. Can management help shareholders understand the reasons for the significant increase in trade receivables? What is the aging profile of the outstanding trade receivables?

Company's Response to SIAS Question 1

- (i) Wuzhou city is developing the township and there are numerous ongoing construction projects, such as housing, roads and hospital. Hence, there is an expectation of a stable demand of construction materials in the next few years. Our current manufacturing facilities are operating at efficient level of installed capacity.
- (ii) The reduction in revenue in the warehouse & logistics segment was mainly due to the reduction in services income because some of the customers in this segment had been affected by the pandemic.
- (iii) Please refer to the circular dated 8 December 2020 for the information.
- (iv) The construction of the mining plant is ongoing and the contribution from the mining is not significant compared to the revenues and profits of the Group. The Group does not have any voting or management rights of the operation as well as any share of profits, other than a fixed income to be received from the joint venture company. As such, the risk profile of the Group has not, and is not expected to be, altered significantly such that shareholders' approval for diversification will be required.
- (v) The trade receivables increased in tandem with the increase in sales, in particular, the sales of ready mixed concrete. Please refer to page 132 of the Annual Report 2021 on the aging profile.

SIAS Question 2

In the corporate governance report, the remuneration of immediate family members of directors, the CEO or a substantial shareholder of the company is disclosed on page 33 (reproduced below):

Details of remuneration paid to the immediate family member of Directors, the CEO or a substantial shareholder of the Company for FY2021 are as follows:

Name of Immediate Family Member	Salary	Bonus	Benefits	Total
	%	%	%	%
<u>S\$250,000 to S\$500,000</u>				
Neo Hwee Lee, Marina ⁽¹⁾	62	37	1	100
Chen Jiang Nan ⁽²⁾	59	40	1	100

Notes:

- (1) Ms. Neo Hwee Lee, Marina is the sister of Mr. Neo Cheow Hui.
- (2) Mr. Chen Jiang Nan is the son of Mr. Chen Yong Hua.

Except as disclosed above, there were no employees who were immediate family members of a Director or CEO whose remuneration exceeds S\$100,000 in the Group's employment during the financial year under review.

(Source: company annual report)

The company has identified its key management personnel (KMPs) on page 21. Of the five, three received remuneration of between \$250,000 and \$500,000, namely:

- Chai Hwee Hoon, Doreen
- Neo Hwee Lee, Marina
- Chua Wei Chye Lawrence

- (i) Would the remuneration committee help shareholders understand the reasons that Mr. Chen Jiang Nan, son of the executive chairman, also receives a remuneration package between \$250,000 and \$500,000 even though he has not been identified as one of the top 5 KMPs in the group?
- (ii) What are the job scope and responsibilities of Mr. Chen Jiang Nan?
- (iii) Provision 8.2 of the Code of Corporate Governance 2018 requires the company to disclose the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than \$100,000, in its annual report [emphasis added].

The company has deviated from Provision 8.2 of the CG Code 2018 without providing the underlying reasons for its deviation.

Would the RC consider improving the disclosure on the remuneration of immediate family members of the directors to meet with the requirements of Provision 8.2?

Company's Response to SIAS Question 2

- (i) Mr. Chen Jiang Nan is in charge of Group Human Resources and the Group Procurement functions, as well as assisting to oversee the Group's overseas investments. While he is not one of the top 5 KMP at this juncture, he is still an important KMP to the Group.
- (ii) Please see response (i) above.
- (iii) Please refer to page 33 of the Annual Report 2021. In view of the confidentiality of remuneration matters, including in order to avoid talent-poaching and creating other human resources issues, the Board is of the opinion that it is in the best interests of the Group to disclose in such manner.

SIAS Question 3

The attendance of directors at board, board committee and shareholder meetings is shown on page 24 and reproduced below:

Name of Directors	Board		AC		NC		RC		AGM		EGM	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings		No. of meetings		No. of meetings	
	held	attended										
Chen Yong Hua	4	4	4	4*	2	2*	2	2*	1	0	1	0
Neo Cheow Hui	4	4	4	4*	2	2*	2	2*	1	1	1	1
Qian Wen Hua	4	4	4	4*	2	2*	2	2*	1	1	1	1
Ho Ying Ming	4	4	4	4*	2	2	2	2	1	1	1	1
Andrew Chua Thiam Chwee	4	4	4	4	2	2	2	2*	1	1	1	1
Wong Quee Quee, Jeffrey	4	4	4	4	2	2	2	2	1	1	1	1
Loy Soo Chew	4	4	4	4	2	2*	2	2	1	1	1	1

Notes:

* By invitation

(Source: company annual report)

As seen from the table above, the executive directors attend the board committee meetings by invitation. It would appear the board committee meetings are attended by all directors, making them the same as board meetings.

- (i) Can the board help shareholders understand if it is the usual practice for non-board committee members (i.e. the executive directors) to attend board committee meetings?
- (ii) What is the group dynamics at the board committee meetings when the independent directors on the board committee may be reviewing and discussing matters that are related to or affect the executive directors? Such board committee meetings would have included agenda items on interested person transactions, performance assessment, remuneration of the executive directors and on the audit/financial reporting/internal controls of the group.

- (iii) Do the executive directors also actively participate in the discussions during the board committee meetings? If so, how are board committee meetings different from board meetings?
- (iv) Are the independent directors able to conduct the board committee meetings without the executive directors in attendance?
- (v) In addition, it is noted that Mr Chen Yong Hua was absent from the annual general meeting and the extraordinary general meeting.

Would the company/director help shareholders understand if there were extenuating circumstances that led the chairman to miss the shareholders meetings?

Company's Response to SIAS Question 3

- (i) Yes, for the Company. That being said, as disclosed on page 26 of the Annual Report 2021, the Independent Directors communicate amongst themselves and with the Company's auditor and Management. Where necessary, the Company co-ordinates informal meetings for Independent Directors to meet without the presence of the Executive Directors and/or Management and provide feedback when appropriate.
- (ii) The Independent Directors are of the view that the presence of Executive Directors at the meetings has been helpful to assist them in better understanding the issues being discussed. That being said, where matters involve a conflict of interests, the relevant conflicted person would be required to abstain from the relevant resolution. The Independent Directors have communicated among themselves outside the Board or Board Committee meetings where they deem appropriate. In particular, the Independent Directors meet with the internal and external auditors without the presence of the Executive Directors at least annually.
- (iii) Yes, to the extent that the Chairman of the relevant Board Committee has deemed appropriate. The Executive Directors who are not members of the relevant Board Committee are invited to attend under those circumstances. Accordingly, they have no right to dictate the conduct of the Board Committee meetings.
- (iv) Yes. However, the Independent Directors have found it beneficial to have the Executive Directors attend the meetings thusfar given the familiarity of the Executive Directors with the day-to-day operations of the Group. As stated in the reply to Q3(i) and (ii) above, the Independent Directors have communicated among themselves without the presence of the Executive Directors when they deem appropriate.
- (v) As informed, our chairman is not able to attend due to prior work commitments.