GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 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			The Group		
	2nd Quarter Ended			Half Year Ended		
	30-Nov-19	30-Nov-18	change	30-Nov-19	30-Nov-18	change
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	29,533	20,488	44.1	54,968	39,506	39.1
Cost of sales	(23,657)	(17,053)	38.7	(44,719)	(32,200)	38.9
Gross profit	5,876	3,435	71.1	10,249	7,306	40.3
Other income	752	286	162.9	1,419	1,107	28.2
Expenses						
Marketing and distribution costs	(52)	(65)	(20.0)	(108)	(130)	(16.9)
Administrative expenses	(3,195)	(3,541)	(9.8)	(6,496)	(7,278)	(10.7)
Finance costs	(683)	(603)	13.3	(1,359)	(1,278)	6.3
Other expenses	(68)	(38)	78.9	(206)	(289)	(28.7)
Share of results of associates	(1)	-	N.M.	(1)	(154)	(99.4)
Profit/(Loss) before tax	2,629	(526)	N.M.	3,498	(716)	N.M.
Tax expense	(1,033)	(848)	21.8	(1,668)	(963)	73.2
Profit/(Loss) for the period	1,596	(1,374)	N.M.	1,830	(1,679)	N.M.
Profit/(Loss) attributable to:						
Owners of the Company	1,552	(1,388)	N.M.	1,806	(1,690)	N.M.
Non-controlling interests	44	14	214.3	24	11	118.2
	1,596	(1,374)	N.M.	1,830	(1,679)	N.M.

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

	The Group			The Group		
	2nd Quarter Ended			Half Year Ended		
	30-Nov-19	30-Nov-18	change	30-Nov-19	30-Nov-18	change
	S$'000	S$'000	%	S$'000	S$'000	%
Audit fees payable to:						
- Auditors of the Company	(55)	(30)	83.3	(88)	(98)	(10.2)
Amortisation of land use rights	(25)	(25)	-	(51)	(51)	-
Amortisation of customer relationship	(77)	(290)	(73.4)	(153)	(580)	(73.6)
Bad debts written off	(5)	-	N.M.	(5)	-	N.M.
Depreciation of property, plant and equipment	(1,956)	(2,286)	(14.4)	(4,218)	(4,572)	(7.7)
Depreciation of right-of-use assets	(1,656)	-	N.M.	(3,314)	-	N.M.
Fair value gain/(loss) on contingent consideration	117	-	N.M.	(175)	-	N.M.
Fair value (loss)/gain on financial assets	(20)	(20)	-	37	(190)	N.M.
Gain on disposal of investment in associate	-	-	N.M.	-	538	N.M.
Gain on disposal of investment in subsidiary	-	-	N.M.	294	-	N.M.
Grant income from government	55	67	(17.9)	204	74	N.M.
Interest income	36	11	N.M.	63	20	N.M.
Interest expenses	(658)	(551)	19.4	(1,299)	(1,171)	10.9
Legal and professional fees	(77)	(73)	5.5	(153)	(263)	(41.8)
(Loss)/gain on disposal of property, plant and equipment	(17)	(34)	(50.0)	14	(1)	N.M.
Net foreign exchange loss	(68)	(38)	78.9	(206)	(289)	(28.7)

N.M. denotes not meaningful.

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UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 2019

1 (a)(i) Consolidated Statement of Comprehensive Income for the period ended 30 November 2019

	The Group			The Group		
	2nd Quarter Ended			Half Year Ended		
	30-Nov-19	30-Nov-18	change	30-Nov-19	30-Nov-18	change
	S$'000	S$'000	%	S$'000	S$'000	%
Profit/(Loss) for the period	1,596	(1,374)	N.M.	1,830	(1,679)	N.M.
Other comprehensive income, net of tax						
Foreign currency translation	67	(223)	N.M.	(492)	(995)	(50.6)
Movement on cash flow hedged	(504)	-	N.M.	(504)	-	N.M.
Share of foreign currency translation of associates	-	-	N.M.	-	(68)	N.M.
Other comprehensive income for the period, net of tax	(437)	(223)	96.0	(996)	(1,063)	(6.3)
Total comprehensive income for the period	1,159	(1,597)	N.M.	834	(2,742)	N.M.
Profit/(Loss) attributable to:						
Owners of the Company	1,111	(1,571)	N.M.	893	(2,563)	N.M.
Non-controlling interests	48	(26)	N.M.	(59)	(179)	(67.0)
Total comprehensive income for the period	1,159	(1,597)	N.M.	834	(2,742)	N.M.

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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	
	30-Nov-19	31-May-19	30-Nov-19	31-May-19
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	111,137	114,845	61	88
Land use rights	4,310	4,480	-	-
Right-of-use assets	19,329	-	-	-
Intangible assets	5,698	4,836	-	-
Investments in subsidiaries	-	-	47,959	47,959
Investment in associate	636	14	-	-
Financial assets at fair value through profit or loss	428	285	323	285
Other receivables	-	-	4,032	4,202
Prepayments	-	1,040	-	-
Total non-current assets	**141,538**	**125,500**	**52,375**	**52,534**
Current assets				
Inventories	312	395	-	-
Trade and other receivables	37,673	31,471	11,932	10,293
Prepaid operating expenses	1,077	986	154	143
Fixed deposits (restricted)	2,351	2,351	-	-
Cash and cash equivalents	16,603	9,310	8,260	2,988
Total current assets	**58,016**	**44,513**	**20,346**	**13,424**
Total assets	**199,554**	**170,013**	**72,721**	**65,958**
EQUITY AND LIABILITIES				
Equity				
Share capital	85,145	78,165	85,145	78,165
Treasury shares	(672)	(672)	(672)	(672)
Accumulated losses	(8,659)	(9,208)	(30,974)	(30,341)
Other reserves	(379)	534	(97)	(97)
Equity attributable to owners of the Company	**75,435**	**68,819**	**53,402**	**47,055**
Non-controlling interests	4,664	4,933	-	-
Total equity	**80,099**	**73,752**	**53,402**	**47,055**
Non-current liabilities				
Other liabilities	2,885	3,032	-	-
Borrowings	61,955	59,995	-	-
Lease liabilities	13,867	-	-	-
Deferred tax liabilities	408	433	-	-
Finance lease liabilities	2,197	2,453	-	2
Total non-current liabilities	**81,312**	**65,913**	**-**	**2**
Current liabilities				
Trade and other payables	14,133	13,897	18,388	17,906
Other liabilities	5,737	5,136	918	973
Derivative	504	-	-	-
Lease liabilities	6,741	-	-	-
Borrowings	8,512	9,295	-	-
Finance lease liabilities	1,427	1,194	13	22
Tax payable	1,089	826	-	-
Total current liabilities	**38,143**	**30,348**	**19,319**	**18,901**
Total liabilities	**119,455**	**96,261**	**19,319**	**18,903**
Total equity and liabilities	**199,554**	**170,013**	**72,721**	**65,958**

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

	The Group		The Group	
	As at 30 Nov 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	1,427	-	1,194	-
Borrowings	8,512	-	9,295	-
(b) Amount repayable after one year				
Loan from non-controlling interests	-	842	-	591
Finance lease liabilities	2,197	-	2,453	-
Borrowings	61,955	-	59,995	-

(c) Details of any collateral

The loan from non-controlling interests repayable in one year or on demand is 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 loan from non-controlling interests is unsecured.

Finance leases are entered into for certain motor vehicles, trailers, forklifts, lifting equipment and prime movers 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 charge over 100% shareholding 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		The Group	
	2nd Quarter Ended		Half Year Ended	
	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18
	S$'000	S$'000	S$'000	S$'000
Cash flow from operating activities				
Profit/(Loss) before tax	2,629	(526)	3,498	(716)
Adjustments for:				
Amortisation of land use rights	25	25	51	51
Amortisation of customer relationship	77	290	153	580
Bad debts written off	5	-	5	-
Depreciation of property, plant and equipment	1,956	2,286	4,218	4,572
Depreciation of right-of-use assets	1,656	-	3,314	-
Loss/(gain) on disposal of property, plant and equipment	17	34	(14)	1
Gain on disposal of subsidiary	-	-	(294)	-
Gain on disposal of investment in associate	-	-	-	(538)
Fair value (gain)/loss on contingent consideration	(117)	-	175	-
Fair value loss/(gain) on financial assets	20	20	(37)	190
Interest expense	658	551	1,299	1,171
Interest income	(36)	11	(63)	(20)
Share of results of associates	1	-	1	154
Effect of exchange rate changes	132	31	217	374
Operating cash flows before changes in working capital	7,023	2,722	12,523	5,819
Changes in working capital:				
Inventories	(32)	57	83	51
Trade and other receivables	(5,620)	(2,072)	(7,310)	(1,262)
Prepaid operating expenses	69	(228)	(67)	(372)
Trade and other payables	2,086	3,288	1,556	3,154
Other liabilities	(1,419)	344	(2,840)	(1,141)
Cash flows from operations	2,107	4,111	3,945	6,249
Interest received	36	(11)	63	20
Income tax paid	(982)	(500)	(1,512)	(665)
Net cash flows generated from operating activities	1,161	3,600	2,496	5,604
Cash flows from investing activities				
Investment in financial assets	(86)	-	(105)	-
Net cash outflow from disposal of subsidiary [(1)]	-	-	(185)	-
Proceed from disposal of investment in associate	-	-	-	293
Proceeds from disposal of property, plant and equipment	59	39	93	126
Capital contribution into investment in associate	(622)	-	(622)	-
Purchase of property, plant and equipment	(267)	(824)	(454)	(1,283)
Net cash flows used in investing activities	(916)	(785)	(1,273)	(864)
Cash flows from financing activities				
Loan from non-controlling interest	204	-	267	-
Repayment of obligations under finance lease	(269)	(358)	(821)	(881)
Issuance of ordinary shares, net	-	-	6,980	-
Dividend paid to non-controlling interest	-	(180)	(210)	(360)
Repayment of bank borrowings	(1,884)	(2,148)	(3,456)	(5,492)
Proceeds from bank borrowings	2,608	1,952	4,672	2,877
Interest expense paid	(658)	(551)	(1,299)	(1,171)
Placement in short-term deposit - pledged	-	(52)	-	(137)
Net cash generated from/(used in) financing activities	1	(1,337)	6,133	(5,164)
Net increase in cash and cash equivalents	246	1,478	7,356	(424)
Cash and cash equivalents at the beginning of financial period	16,433	10,700	9,310	12,640
Effect of exchange rate changes on cash and cash equivalents	(76)	(2)	(63)	(40)
Cash and cash equivalents at the end of financial period [(2)]	16,603	12,176	16,603	12,176

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Explanatory notes:

(1) 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
	1,249
Trade and other payables	(1,249)
Finance lease liabilities	(294)
Carrying value of net assets	(294)
Total consideration *	-
Cash and cash equivalent of the subsidiary	(185)
Net cash outflow on disposal of the subsidiary	(185)

* Total consideration is S$1.

(2) Cash and cash equivalents in the cash flow statement comprised the following:-

	The Group 2nd Quarter Ended		**The Group Half Year Ended**	
	30-Nov-19	**30-Nov-18**	**30-Nov-19**	**30-Nov-18**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash at banks and on hand	16,603	12,176	16,603	12,176
Fixed deposits (restricted)	2,351	2,317	2,351	2,317
	18,954	14,493	18,954	14,493
Fixed deposits charged with bank	(2,351)	(2,317)	(2,351)	(2,317)
Cash and cash equivalents	16,603	12,176	16,603	12,176

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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 30 November 2019

	Share capital	Treasury shares	Accumulated losses	Other reserves	Total equity 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	-	-	(1,690)	-	(1,690)	11	(1,679)
Other comprehensive income:							
Foreign currency translation	-	-	-	(805)	(805)	(190)	(995)
Share of other comprehensive income of associate	-	-	-	(68)	(68)	-	(68)
Other comprehensive income for the period, net of tax	-	-	-	(873)	(873)	(190)	(1,063)
Total comprehensive income for the period	-	-	(1,690)	(873)	(2,563)	(179)	(2,742)
Contributions by and distributions to owners:							
Dividend paid to non-controlling interests	-	-	-	-	-	(360)	(360)
Total contributions by and distributions to owners	-	-	-	-	-	(360)	(360)
Total transactions with owners in their capacity as owners	-	-	-	-	-	(360)	(360)
Balance as at 30 November 2018	78,165	(672)	(8,341)	(73)	69,079	4,701	73,780

The Group	Share capital	Treasury shares	Accumulated losses	Other reserves	Total equity 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	-	-	1,806	-	1,806	24	1,830
Other comprehensive income:							
Movement on cash flow hedged	-	-	-	(504)	(504)	-	(504)
Foreign currency translation	-	-	-	(409)	(409)	(83)	(492)
Other comprehensive income for the period, net of tax	-	-	-	(913)	(913)	(83)	(996)
Total comprehensive income for the period	-	-	1,806	(913)	893	(59)	834
Contributions by and distributions to owners:							
Dividend paid to non-controlling interests	-	-	-	-	-	(210)	(210)
Total contributions by and distributions to owners	-	-	-	-	-	(210)	(210)
Total transactions with owners in their capacity as owners	-	-	-	-	-	(210)	(210)
Balance as at 30 November 2019	85,145	(672)	(8,659)	(379)	75,435	4,664	80,099

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 30 November 2019

The Company	Share capital	Treasury shares	Accumulated losses	Other reserves	Total equity
	S$'000	S$'000	S$'000	S$'000	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	(59)	(672)	(24,475)	(98)	52,920
Loss for the period	-	-	(752)	-	(752)
Total comprehensive income for the period	78,165	(672)	(25,227)	(98)	52,168
Balance as at 30 November 2018	78,165	(672)	(25,227)	(98)	52,168

The Company	Share capital	Treasury shares	Accumulated losses	Other reserves	Total equity
	S$'000	S$'000	S$'000	S$'000	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	-	-	(633)	-	(633)
Total comprehensive income for the period	-	-	(633)	-	6,347
Balance as at 30 November 2019	85,145	(672)	(30,974)	(97)	53,402

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	
	30-Nov-19	**31-May-19**
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
Issuance of new shares [(1)]	100,000,000	-
At end of financial period ended	794,700,540	694,700,540
Treasury shares		
At beginning and end of the period	(6,168,650)	(6,168,650)
Total	788,531,890	688,531,890

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

There are no sale, transfer, disposal, cancellation and/or use of treasury shares as at 30 November 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 sale, transfer, cancellation and/or use of subsidiary holdings as at 30 November 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 nor audited.

3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of a matter).

Not applicable.

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 SFRS(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 restrospective 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
Equity	
Accumulated loss	(1,257)
Liabilities	
Lease liabilities (non-current)	17,283
Lease liabilities (current)	6,617
Assets	
Right-of-use assets	22,643

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			
	2nd Quarter Ended		Half Year Ended	
	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18
Profit/(Loss) per share (in SGD cent)				
- Basic (1)	0.20	(0.20)	0.24	(0.25)
- Fully diluted (2)	0.20	(0.20)	0.24	(0.25)
(1) Calculated based on weighted average number of shares	788,531,890	688,531,890	760,814,499	688,531,890
(2) Calculated based on weighted average number of shares for diluted earnings	788,531,890	688,531,890	760,814,499	688,531,890

7. Net asset value (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.

	Group		Company	
	30-Nov-19	31-May-19	30-Nov-19	31-May-19
Net assets (S$'000)	75,435	68,819	53,402	47,055
Net asset value per share (in SGD cents)	9.57	10.00	6.77	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 extend 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

1H FY2020 vs 1H FY2019

Revenue
The Group recorded a 39.1% increase in revenue to S$55.0 million for the six months ended 30 November 2019 ("1H FY20") as compared with S$39.5 million for the six months ended 30 November 2018 ("1H FY19"). 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 revenue from the logistics segment.

Cost of sales
Cost of sales increased by 38.9% from S$32.2 million in 1H FY19 to S$44.7 million in 1H FY20, in tandem with the increase in revenue.

Gross profit
Gross profit increased by 40.3% from S$7.3 million in 1H FY19 to S$10.2 million in 1H FY20. The Group's gross margin increased marginally from 18.5% in 1H FY19 to 18.6% in 1H FY20, mainly due to higher gross margin from the ready-mix concrete manufacturing plant.

Other income
Other income was higher at S$1.4 million in 1H FY20 as compared to S$1.1 million in 1H FY19. The increase was due to compensation by vendors of not achieving profit guarantee in TNS Ocean Lines (S) Pte Ltd ("TNS") and government grants.

Marketing and distribution costs
Marketing and distridution costs decreased by S$22,000 in 1H FY20, as a result of lower marketing activities from Wuzhou Xing Jian.

Administrative expenses
Administrative expenses decreased significantly from S$7.3 million in 1H FY19 to S$6.5 million in 1H FY20. This was mainly due to decrease in (i) amortisation expenses of customer relationship by S$0.4 million and (ii) fair value gain on financial assets as compare to a loss recorded in the corresponding period.

Finance costs
Finance costs increased by S$81,000 to S$1.4 million in 1H FY20. This was mainly due to the increase in short term borrowing incurred at Wuzhou Xing Jian.

Other expenses
Other expenses in 1H FY20 was mainly due to net foreign exchange losses.

Share of results of associates
The share of loss from associates decreased as a result of the disposal of GKE Metal Logistics Pte Ltd in 1H FY19.

Tax expenses
Tax expenses arose from profitable subsidiaries.

Other comprehensive income
Other comprehensive income arising from foreign currency translation and share of foreign currency translation of associates was due to the translation of the financial statements of the foreign subsidiaries and associates from its functional currencies.

2Q FY2020 vs 2Q FY2019

Revenue
The Group's recorded a 44.1% increase in revenue to S$29.5 million for the second quarter ended 30 November 2019 ("2Q FY20"), compared with S$20.5 million for the second quarter ended 30 November 2018 ("2Q FY19"), This was mainly due to the higher revenue contributions from Wuzhou Xing Jian, coupled with an increase in storage and trucking revenue from the logistics segment.

Cost of sales
Cost of sales in 2Q FY20 increased by 38.7% to S$23.7 million from S$17.1 million in 2Q FY19 in tandem with the increase in revenue.

Gross profit
For 2Q FY20, the Group's gross profit increased by 71.1% to S$5.9 million in 2Q FY20 from S$3.4 million in 2Q FY19. This was driven by higher revenue contribution. The Group's gross margin increased from 16.8% in 2Q FY19 to 19.9% in 2Q FY20, mainly due to higher gross margin from the ready-mix concrete manufacturing plant.

Other income
Other income increased from S$286,000 in 2Q FY19 to S$752,000 in 2Q FY20 mainly due to compensation by vendors of not achieving the profit guarantee in TNS.

Marketing and distribution costs
Marketing and distribution costs decreased marginally to S$52,000 in 2Q FY20 from S$65,000 in 2Q FY19. This was mainly due to the lower expenses incurred on marketing by Wuzhou Xing Jian.

Administrative expenses
Administrative expenses decreased from S$3.5 million in 2Q FY19 to S$3.2 million in 2Q FY20. This was mainly due to lower amortisation of customer relationship and the reversal of fair value loss on contigent consideration in 2Q FY20.

Finance costs
Finance costs increased by S$80,000 in 2Q FY20 was mainly due to the increase in short term borrowing incurred at Wuzhou Xing Jian.

Other expenses
Other expenses in 2Q FY20 was mainly due to net foreign exchange losses.

Share of results of associates
The share of result of associate in 2Q FY20 was due to loss incurred for the share of results from the associate, Cenxi Haoyi Recycling Co., Ltd, in China.

Other comprehensive income
Other comprehensive income for foreign currency translation and share of foreign currency translation of associates was due to the translation of the financial statements of the foreign subsidiaries and associates from its functional currencies.

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

STATEMENT OF FINANCIAL POSITION

Non-current assets increased by S$16.0 million from S$125.5 million as at 31 May 2019 to S$141.5 million as at 30 November 2019. This was due to the adoption of new SFRS(I) 16 resulting in recognising right-of-use assets of S$19.3 million and additional of investment in associate, Cenxi Haoyi Recycling Co., Ltd, in China. This was offset by the decrease in property, plant and equipment and land use rights due to depreciation and amortisation.

Current assets increased by S$13.5 million from S$44.5 million as at 31 May 2019 to S$58.0 million as at 30 November 2019. This was mainly due to the increase in trade and other receivables resulting from higher trade receivables from Wuzhou Xing Jian and increase in cash and cash equivalents from S$9.3 million as at 31 May 2019 to S$16.6 million as at 30 November 2019.

Non-current liabilities increased by S$15.4 million from S$65.9 million as at 31 May 2019 to S$81.3 million as at 30 November 2019. The increase was mainly due to the adoption of new SFRS(I) 16 resulting in recognising lease liabilities of S$13.8 million and proceed from borrowings due to refinancing of loan. This increase was offset with the repayment of finance lease liabilities.

Current liabilities increased by S$7.8 million from S$30.3 million as at 31 May 2019 to S$38.1 million as at 30 November 2019. This was mainly due to the adoption of new SFRS(I) 16 resulting in recognising lease liabilities of S$6.7 million and increase in trade and other payables. The increase was partially offset with the repayment of bank borrowings.

Total equity increased from S$73.8 million as at 31 May 2019 to S$80.1 million as at 30 November 2019 due to the issuance of ordinary shares during the period pursuant to the placement of 100,000,000 ordinary shares and profit for the period, partially offset by foreign currency translation.

STATEMENT OF CASH FLOWS

1H FY2020 vs 1H FY2019

During 1H FY20, the Group's net cash generated from operating activities was S$2.5 million. This comprised positive operating cash flows before changes in working capital of S$12.5 million, adjusted by net working capital outflow of S$8.6 million and income tax paid of S$1.5 million.

Net cash used in investing activities was S$1.3 million in 1H FY20. This was mainly due to capital contribution into investment in associate company, Cenxi Haoyi Recycling Co, Ltd, in China of S$0.6 million and net cash outflow of S$0.2 million from the disposal of a subsidiary.

Net cash generated from financing activities was S$6.1 million in 1H FY20. This was mainly due to the proceeds of approximately S$7.0 million from the issuance of 100,000,000 ordinary shares by placement and the proceeds from bank borrowing of S$4.7 million which were partially offset with the repayment of loans, finance leases and interest.

2Q FY2020 vs 2Q FY2019

The Group's net cash generated from operating activities for 2Q FY20 was S$1.2 million. This comprised positive operating cash flows before changes in working capital of S$7.0 million, adjusted by net working capital outflow of S$4.9 million and income tax paid of S$1.0 million.

Net cash used in investing activities of S$0.9 million in 2Q FY20 was mainly due to capital contribution into investment in associate, Cenxi Haoyi Recycling Co., Ltd, in China and capital expenditure incurred at Wuzhou Xing Jian plant.

Net cash generated from financing activities of S$1,000 in 2Q FY20 was mainly due to proceeds from bank borrowings and loan from a non-controlling interest which were partially offset with the repayment of loans, finance leases and interest.

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

In Singapore, the warehousing and logistics segment remains challenging due to price competition coupled with the slower economy growth in Singapore. Against the backdrop of slower economy growth, US-China trade issues and tension in the Middle East, there are signs that the oversupply of warehousing space are easing as we have been receiving enquiries of our services from existing and new customers.

In China, the Group is embarking on its new projects, a recycling plant for production of raw materials and a readymix concrete plant. Despite the slowing macro economy growth in China, demand for such construction materials remains strong and relevant.

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

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 and the reason(s) for the decision.

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 2Q 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 Company 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 half year financial results of the Company and of the Group for the period ended 30 November 2019 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
13 January 2020

The 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 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:-

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