GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 2017

PART 1 - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR

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-17	30-Nov-16	change	30-Nov-17	30-Nov-16	change
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	18,119	11,940	51.8	35,498	23,295	52.4
Cost of sales	(15,165)	(10,145)	49.5	(29,376)	(18,853)	55.8
Gross profit	2,954	1,795	64.6	6,122	4,442	37.8
Other income	252	404	(37.6)	669	395	69.4
Expenses						
Marketing and distribution costs	(56)	(43)	30.2	(125)	(80)	56.3
Administrative expenses	(9,432)	(2,261)	317.2	(12,861)	(4,465)	188.0
Finance costs	(436)	(336)	29.8	(817)	(766)	6.7
Other expenses	(101)	-	N.M.	(28)	(107)	(73.8)
Share of results of associates	(117)	42	N.M.	(97)	(83)	16.9
Share of results of joint venture	(586)	(42)	N.M.	(1,254)	570	N.M.
Loss before tax	(7,522)	(441)	N.M.	(8,391)	(94)	N.M.
Tax expense	(311)	(53)	486.8	(384)	(189)	103.2
Loss for the period	(7,833)	(494)	N.M.	(8,775)	(283)	N.M.
(Loss)/profit attributable to:						
Owners of the Company	(7,935)	(558)	N.M.	(9,083)	(432)	N.M.
Non-controlling interests	102	64	59.4	308	149	106.7
	(7,833)	(494)	N.M.	(8,775)	(283)	N.M.

Loss before tax includes the following items :

	The Group			The Group		
	2nd Quarter Ended			Half Year Ended		
	30-Nov-17	30-Nov-16	change	30-Nov-17	30-Nov-16	change
	S$'000	S$'000	%	S$'000	S$'000	%
Audit fees payable to:						
- Auditors of the Company	(54)	(41)	31.7	(107)	(90)	18.9
Non-audit fees payable to:						
- Auditors of the Company	(8)	(4)	100.0	(16)	(17)	(5.9)
(Allowance)/reversal of allowance for doubtful trade receivables	-	(2)	N.M.	-	17	N.M.
Amortisation of land use rights	(26)	(26)	-	(53)	(53)	-
Amortisation of customer relationship	(333)	(77)	N.M.	(667)	(153)	N.M.
Bad debts written off	-	-	-	-	(19)	N.M.
Depreciation of property, plant and equipment	(1,566)	(1,534)	2.1	(3,111)	(2,989)	4.1
Fair value adjustment on contingent consideration	315	-	N.M.	315	-	N.M.
Gain on disposal of available-for-sale investments	-	-	-	-	8	N.M.
Gain on disposal of property, plant and equipment	4	66	(93.9)	172	87	97.7
Impairment of available-for-sale investments	-	(11)	(100.0)	(35)	(32)	9.4
Impairment loss on investment in joint venture	(6,241)	-	N.M.	(6,241)	-	N.M.
Interest income	1	17	(94.1)	2	33	(93.9)
Legal and professional fees	(74)	(116)	(36.2)	(124)	(196)	(36.7)
Net foreign exchange (loss)/gain	(101)	138	N.M.	(28)	(107)	(73.8)

N.M. denotes not meaningful.

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UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 2017

1 (a)(i) Consolidated Statement of Comprehensive Income for the period ended 30 November 2017

	The Group			The Group		
	2nd Quarter Ended			Half Year Ended		
	30-Nov-17	30-Nov-16	change	30-Nov-17	30-Nov-16	change
	S$'000	S$'000	%	S$'000	S$'000	%
Loss for the period	(7,833)	(494)	N.M.	(8,775)	(283)	N.M.
Other comprehensive income, net of tax						
Foreign currency translation	(238)	566	N.M.	(140)	60	N.M.
Fair value transfer to profit on disposal of available-for-sale investments	-	(6)	N.M.	-	(6)	N.M.
Fair value gain/(loss) on available-for-sale investments	56	436	(87.2)	(12)	357	N.M.
Share of foreign currency translation of associates	(10)	342	N.M.	6	(29)	N.M.
Other comprehensive income for the period, net of tax	(192)	1,338	N.M.	(146)	382	N.M.
Total comprehensive income for the period	(8,025)	844	N.M.	(8,921)	99	N.M.
(Loss)/profit attributable to:						
Owners of the Company	(8,090)	733	N.M.	(9,256)	8	N.M.
Non-controlling interests	65	111	(41.4)	335	91	268.1
Total comprehensive income for the period	(8,025)	844	N.M.	(8,921)	99	N.M.

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UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 2017

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	
	Unaudited 30-Nov-17 S$'000	Audited 31-May-17 S$'000	Unaudited 30-Nov-17 S$'000	Audited 31-May-17 S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	124,332	111,053	175	156
Land use rights	4,730	4,745	-	-
Intangible assets	8,060	8,727	-	-
Investments in subsidiaries	-	-	51,966	59,560
Investment in associate	2,726	2,818	3,189	3,189
Investment in joint venture	1,480	9,228	-	-
Available-for-sale investments	701	697	701	697
Other receivables	-	-	5,307	4,866
Total non-current assets	**142,029**	**137,268**	**61,338**	**68,468**
Current assets				
Inventories	334	253	-	-
Trade and other receivables	25,132	19,116	12,763	12,361
Prepaid operating expenses	609	713	25	25
Fixed deposits (restricted)	2,180	2,180	-	-
Cash and cash equivalents	6,150	10,582	354	528
Total current assets	**34,405**	**32,844**	**13,142**	**12,914**
Total assets	**176,434**	**170,112**	**74,480**	**81,382**
EQUITY AND LIABILITIES				
Equity				
Share capital	78,165	78,165	78,165	78,165
Treasury shares	(672)	(1,216)	(672)	(1,216)
Accumulated losses	(9,723)	(640)	(24,895)	(17,066)
Other reserves	6,560	6,742	261	282
Equity attributable to owners of the Company	**74,330**	**83,051**	**52,859**	**60,165**
Non-controlling interests	5,548	5,213	-	-
Total equity	**79,878**	**88,264**	**52,859**	**60,165**
Non-current liabilities				
Other liabilities	2,149	2,068	-	-
Borrowings	41,903	49,323	-	-
Deferred tax liabilities	1,891	2,002	-	-
Finance lease liabilities	138	454	-	-
Total non-current liabilities	**46,081**	**53,847**	**-**	**-**
Current liabilities				
Trade and other payables	18,124	7,594	20,655	18,777
Other liabilities	4,179	6,829	912	2,376
Borrowings	22,423	7,655	-	-
Finance lease liabilities	3,421	3,709	54	64
Tax payable	2,328	2,214	-	-
Total current liabilities	**50,475**	**28,001**	**21,621**	**21,217**
Total liabilities	**96,556**	**81,848**	**21,621**	**21,217**
Total equity and liabilities	**176,434**	**170,112**	**74,480**	**81,382**

UNAUDITED SECOND QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 2017

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

	The Group		The Group	
	As at 30 Nov 2017		As at 31 May 2017	
	Secured	Unsecured	Secured	Unsecured
	S$'000	S$'000	S$'000	S$'000
(a) Amount repayable in one year or less, or on demand				
Loan from non-controlling interests	-	523	-	611
Finance lease liabilities	3,421	-	3,709	-
Borrowings	22,423	-	7,655	-
(b) Amount repayable after one year				
Finance lease liabilities	138	-	454	-
Borrowings	41,903	-	49,323	-

(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, lifting equipment and cranes 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 consist of the borrowings entered into to finance the acquisition of warehouses located at 6 Pioneer Walk, 7 Kwong Min Road, redevelopment of warehouse at 39 Benoi Road and the construction of the warehouse in Yangshan Shanghai, China.

Borrowings are secured by proportional corporate guarantee from the GKEC and non-controlling interests, first legal mortgage over the properties located at 1 Jalan Besut, 6 Pioneer Walk, 7 Kwong Min Road and 39 Benoi Road and fixed charged over 100% shareholdings in the share capital of a subsidiary, Van der Horst (Shanghai) Logistics Co. Ltd.

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group		The Group	
	2nd Quarter Ended		Half Year Ended	
	30-Nov-17	30-Nov-16	30-Nov-17	30-Nov-16
	S$'000	S$'000	S$'000	S$'000
Cash flow from operating activities				
Loss before tax	(7,522)	(441)	(8,391)	(94)
Adjustments for:				
Allowance/(reversal of allowance) for doubtful trade receivables	-	2	-	(17)
Amortisation of land use rights	26	26	53	53
Amortisation of customer relationship	333	77	667	153
Bad debts written off	-	-	-	19
Depreciation of property, plant and equipment	1,566	1,534	3,111	2,989
Fair value adjustment of consideration	(315)	-	(315)	-
Gain on disposal of available-for-sale investments	-	-	-	(8)
Gain on disposal of property, plant and equipment	(4)	(66)	(172)	(87)
Impairment of available-for-sale investments	-	11	35	32
Interest expense	459	322	796	752
Interest income	(1)	(17)	(2)	(33)
Property, plant and equipment written off	-	4	1	4
Impairment loss on investment in joint venture	6,241	-	6,241	-
Share of results of joint venture	586	42	1,254	(570)
Share of results of associates	117	(42)	97	83
Effect of exchange rate changes	58	(230)	(96)	19
Operating cash flows before changes in working capital	1,544	1,222	3,279	3,295
Changes in working capital:				
Inventories	(50)	(168)	(81)	(129)
Trade and other receivables	(1,700)	(848)	(6,016)	(948)
Prepaid operating expenses	(18)	323	104	47
Trade and other payables	11,125	(385)	10,531	(1,502)
Other liabilities	146	33	(1,719)	(808)
Cash flows from/(used in) operations	11,047	177	6,098	(45)
Interest received	1	17	2	33
Income tax paid	(254)	(289)	(383)	(498)
Net cash flows generated from/(used in) operating activities	10,794	(95)	5,717	(510)
Cash flows from investing activities				
Proceeds from disposal of available-for-sale investments	-	-	(51)	-
Dividend income from associate	-	-	-	331
Net cash outflow on acquisition of subsidiary [(2)]	-	(1,767)	-	(1,767)
Proceeds from disposal of property, plant and equipment	4	86	405	118
Purchase of property, plant and equipment	(11,366)	(742)	(16,090)	(4,282)
Net cash flows used in investing activities	(11,362)	(2,423)	(15,736)	(5,600)
Cash flows from financing activities				
Dividends paid	-	(3,795)	-	(3,795)
Interest paid	(459)	(322)	(796)	(752)
Proceeds from borrowings	699	72	9,620	1,783
Purchase of treasury shares	-	(155)	-	(155)
Repayment of obligation under finance leases	(451)	(377)	(976)	(756)
Repayments of loans and borrowings	(1,155)	(946)	(2,207)	(1,872)
Increase in fixed deposits charged with bank	-	-	-	(2,180)
Net cash (used in)/generated from financing activities	(1,366)	(5,523)	5,641	(7,727)
Net decrease in cash and cash equivalents	(1,934)	(8,041)	(4,378)	(13,837)
Cash and cash equivalents at the beginning of financial period	8,099	24,832	10,582	30,768
Effect of exchange rate changes on cash and cash equivalents	(15)	119	(54)	(21)
Cash and cash equivalents at the end of financial period [(1)]	6,150	16,910	6,150	16,910

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Explanatory Notes:

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

	The Group 2nd Quarter Ended		The Group Half Year Ended	
	30-Nov-17	30-Nov-16	30-Nov-17	30-Nov-16
	S$'000	S$'000	S$'000	S$'000
Cash at banks and on hand	6,150	16,910	6,150	16,910
Fixed deposits (restricted)	2,180	2,180	2,180	2,180
	8,330	19,090	8,330	19,090
Fixed deposits charged with bank	(2,180)	(2,180)	(2,180)	(2,180)
Cash and cash equivalents	6,150	16,910	6,150	16,910

(2) Net cash outflow on acquisition of subsidiary

On 30 November 2016, the Group acquired the entire share capital in TNS Ocean Lines (S) Pte Ltd for the purchase consideration consist of cash S$2,700,000 and 52,500,000 ordinary shares in the capital of the Company.

The net assets acquired in the transaction, and the intangible arising, are as follows:-

	S$'000
Property, plant and equipment	68
Intangible assets - customer relationship	1,884
Trade and other receivables	2,039
Prepaid operating expenses	186
Cash and cash equivalents	933
Trade and other payables	(2,589)
Finance leases	(119)
Deferred tax liabilities	(320)
Net asset acquired	2,082
Goodwill	4,340
Purchase consideration	6,422

Purchase consideration:-	
- Cash	2,700
- Shares of the Company #	3,722
	6,422

The provision of 52,500,000 ordinary shares (part of the purchase consideration) was arrived at by taking into consideration the volume weighted average share price of the Company of S$0.0892 on the completion date of the acquisition and discount for lack of marketability of the shares and contingent adjustment.

Net cash outflow from acquisition of subsidiary	
Cash consideration paid	(2,700)
Cash at bank and on hand	933
	(1,767)

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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 2017

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 2016	74,831	(1,537)	5,425	6,289	85,008	4,928	89,936
Loss for the period	-	-	(432)	-	(432)	149	(283)
Other comprehensive income:							
Fair value transfer to profit on disposal of available-for-sale investments	-	-	-	(6)	(6)	-	(6)
Fair value gain on available-for-sale investments	-	-	-	357	357	-	357
Foreign currency translation	-	-	-	118	118	(58)	60
Share of other comprehensive income of associate	-	-	-	(29)	(29)	-	(29)
Other comprehensive income for the period, net of tax	-	-	-	440	440	(58)	382
Total comprehensive income for the period	-	-	(432)	440	8	91	99
Contributions by and distributions to owners:							
Dividends paid on the Company	-	-	(3,795)	-	(3,795)	-	(3,795)
Issue of new shares	4,334				4,334		4,334
Purchase of treasury shares	-	(155)	-	-	(155)	-	(155)
Treasury shares reissued pursuant to acquisition of a subsidiary	-	476	-	(85)	391	-	391
Total contributions by and distributions to owners	4,334	321	(3,795)	(85)	775	-	775
Total transactions with owners in their capacity as owners	4,334	321	(3,795)	(85)	775	-	775
Balance as at 30 November 2016	79,165	(1,216)	1,198	6,644	85,791	5,019	90,810

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 2017	78,165	(1,216)	(640)	6,742	83,051	5,213	88,264
Loss for the period	-	-	(9,083)	-	(9,083)	308	(8,775)
Other comprehensive income:							
Fair value loss on available-for-sale investments	-	-	-	(12)	(12)	-	(12)
Foreign currency translation	-	-	-	(167)	(167)	27	(140)
Share of other comprehensive income of associate	-	-	-	6	6	-	6
Other comprehensive income for the period, net of tax	-	-	-	(173)	(173)	27	(146)
Total comprehensive income for the period	-	-	(9,083)	(173)	(9,256)	335	(8,921)
Contributions by and distributions to owners:							
Treasury shares reissued pursuant to acquisition of a subsidiary	-	544	-	(9)	535	-	535
Total contributions by and distributions to owners	-	544	-	(9)	535	-	535
Total transactions with owners in their capacity as owners	-	544	-	(9)	535	-	535
Balance as at 30 November 2017	78,165	(672)	(9,723)	6,560	74,330	5,548	79,878

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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 2017

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 2016	74,831	(1,537)	(11,356)	312	62,250
Loss for the period	-	-	(442)	-	(442)
Other comprehensive income:					
Fair value transfer to profit or loss on disposal of available-for-sale investments	-	-	-	(6)	(6)
Fair value gain on available-for-sale	-	-	-	357	357
Other comprehensive income for the period, net of tax	-	-	-	351	351
Total comprehensive income for the period	-	-	(442)	351	(91)
Contributions by and distributions to owners:					
Dividend paid on ordinary shares	-	-	(3,795)	-	(3,795)
Issue of new shares	4,334	-	-	-	4,334
Purchase of treasury shares	-	(155)	-	-	(155)
Treasury shares reissued pursuant to acquisition of a subsidiary	-	476	-	(85)	391
Total contributions by and distributions to owners	4,334	321	(3,795)	(85)	775
Balance as at 30 November 2016	79,165	(1,216)	(15,593)	578	62,934

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 2017	78,165	(1,216)	(17,066)	282	60,165
Loss for the period	-	-	(7,829)	-	(7,829)
Other comprehensive income:					
Fair value loss on available-for-sale investments	-	-	-	(12)	(12)
Other comprehensive income for the period, net of tax	-	-	-	(12)	(12)
Total comprehensive income for the period	-	-	(7,829)	(12)	(7,841)
Contributions by and distributions to owners:					
Treasury shares reissued pursuant to acquisition of a subsidiary	-	544	-	(9)	535
Total contributions by and distributions to owners	-	544	-	(9)	535
Balance as at 30 November 2017	78,165	(672)	(24,895)	261	52,859

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1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purposes since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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-17	**31-May-17**
Total number of issued shares (excluding treasury shares):		
Total number of issued shares		
At beginning of financial year	694,700,540	646,542,290
Issue of new shares [2]	-	48,158,250
At end of financial year	694,700,540	694,700,540
Treasury shares		
At beginning of financial year	(11,168,650)	(13,800,400)
Share buyback	-	(1,710,000)
Treasury shares reissued pursuant to acquisition of a subsidiary [1][2]	5,000,000	4,341,750
At end of the period	(6,168,650)	(11,168,650)
Total	688,531,890	683,531,890

(1) During the current financial period, the Company had transferred 5,000,000 treasury shares as part of the consideration for the acquisition of 70% of issued share capital of Marquis Services Pte Ltd as pursuant to the terms of sales and purchase agreement, when the profit guarantee provided by Goh Lay Nah has been fully met.
(2) During the last financial year, the Company had issued 48,158,250 new shares and transferred 4,341,750 treasury shares as part of the consideration for the acquisition of TNS Ocean Lines (S) Pte Ltd.

1(d)(iii) To show the total number of issued shares excluding treasury shares and subsidiary holdings as at the end of the current financial period and as at the end of the immediately preceding year.

Please refer to 1(d)(ii).

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or used of treasury shares as at end of the current financial period reported on.

Please refer to 1(d)(ii).

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not Applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been reviewed 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 methods of computation in the financial statements for the current financial year as those used in the most recently audited financial statements for the year ended 31 May 2017.

The adoption of new/revised FRS and INT FRS have no material financial impact on the financial statements.

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.

Not Applicable.

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-17	30-Nov-16	30-Nov-17	30-Nov-16
Loss per share (in SGD cent)				
- Basic [1]	(1.16)	(0.09)	(1.33)	(0.07)
- Fully diluted [2]	(1.16)	(0.09)	(1.33)	(0.07)
(1) Weighted average number of shares	684,905,516	632,780,132	684,214,950	632,760,906
(2) Calculated based on weighted average number of shares for diluted earnings	684,905,516	632,780,132	684,214,950	632,760,906

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-17	31-May-17	30-Nov-17	31-May-17
Net assets (S$'000)	74,330	83,051	52,859	60,165
Net asset value per share (in SGD cents)	10.80	12.15	7.68	8.80
Number of shares used in calculating NAV	688,531,890	683,531,890	688,531,890	683,531,890

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 FY2018 vs 1H FY2017

The Group recorded a 52.4% increase in revenue to S$35.5 million for the six months ending 30 November 2017 ("1H FY18") from S$23.3 million for the six months ending 30 November 2016 ("1H FY17"). This was mainly due to the addition of port operations service provider, TNS Ocean Lines (S) Pte Ltd ("TNS"), and higher revenue contribution from ready-mix concrete manufacturing plant, Wuzhou Xing Jian Readymix Co., Ltd ("Wuzhou Xing Jian") as it ramped up production progressively since production commenced in June 2016. The increase was partially offset by the decrease in storage, handling and transportation revenue from the warehousing & logistics segment.

Cost of sales increased by 55.8% from S$18.9 million in 1H FY17 to S$29.4 million in 1H FY18 on the back of higher sales. The increase was mainly due to the additional expenses from the operations of TNS and Wuzhou Xing Jian.

Gross profit increased by 37.8% from S$4.4 million in 1H FY17 to S$6.1 million in 1H FY18. The Group's gross margin declined from 19.1% in 1H FY17 to 17.2% in 1H FY18, mainly due to lower gross margin from the warehousing & logistics segment.

Other income was higher at S$0.7 million in 1H FY18 as compared to S$0.4 million in 1H FY17. The increase was due to the gain on disposal of property, plant and equipment, and additional income including government's grants and insurance claims.

Marketing and distribution costs increased from $80,000 in 1H FY17 to S$125,000 in 1H FY18. This was mainly due to higher expenses incurred on marketing for Wuzhou Xing Jian and TNS.

Administrative expenses increased significantly from S$4.5 million in 1H FY17 to S$12.9 million in 1H FY18. This was mainly due to a S$6.2 million provision for impairment loss in the joint venture for the liquefied gas carrier vessel, Ocean Latitude Limited ("Ocean Latitude"), increase in staff costs with the addition of TNS and ramp up of production in Wuzhou Xing Jian as well as the increase in amortisation of intangible assets.

Finance costs increased marginally by 6.7% to S$0.8 million in 1H FY18 as a result of the addition of TNS and an increase in finance lease expenses at Wuzhou Xing Jian. This was partially offset by lower loan interest expense from refinancing of a property loan.

Other expenses in 1H FY18 was mainly due to net foreign exchange losses .

The share of loss from associates increased due to a drop in gross margins from the storage and shipment of metals and lower exchange gains.

The share of results of joint venture reversed from a profit of S$0.6 million in 1H FY17 to a loss of S$1.3 million in 1H FY18. This was due to the protracted slowdown in the oil and gas industry, which resulted in significantly lower chartering rates secured in 1H FY18 compared to that in the previous corresponding period in 1H FY17.

Taking into consideration the aforementioned, the Group recorded a net loss attributable to owners of the Company of S$9.1 million in 1H FY18 compare with a net loss of S$0.4 million in 1H FY17. The net loss was mainly due to the provision for impairment loss amounting to S$6.2 million, share of loss of joint venture amounting to S$1.3 million, the amortisation of customer relationship of S$0.7 million, and losses from the warehousing and logistics segment.

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

2Q FY2018 vs 2Q FY2017

The Group's revenue grew 51.8% to S$18.1 million for the second quarter ended 30 November 2017 ("2Q FY18") from S$11.9 million for the second quarter ended 30 November 2016 ("2Q FY17"), This was mainly due to the addition of port operations TNS and higher revenue contributions from Marquis and Wuzhou Xing Jian.

Cost of sales in 2Q FY18 increased by 49.5% to S$15.2 million from S$10.1 million in 2Q FY17. The significant increase was due to the additional expenses from the operations of TNS, Marquis and Wuzhou Xing Jian.

For 2Q FY18, the Group's gross profit increased by 64.6% to S$3.0 million in 2Q FY18 from S$1.8 million in 2Q FY17. This was driven by higher revenue contribution. The composite gross margin slightly increased from 15.0% in 2Q FY17 to 16.3% in 2Q FY18.

Other income arising from interest income, grant income, and gain on disposal of fixed assets, decreased from S$0.4 million in 2Q FY17 to S$0.2 million in 2Q FY18.

Marketing and distribution costs increased from S$43,000 in 2Q FY17 to S$56,000 in 2Q FY18. This was mainly due to the higher expenses incurred on marketing by TNS and Wuzhou Xing Jian.

Administrative expenses increased by S$7.2 million to S$9.4 million in 2Q FY18 from S$2.3 million in 2Q FY17. This was mainly due to the provision for impairment loss in the joint venture for the liquefied gas carrier vessel, Ocean Latitude, of S$6.2 million, increase in staff costs with the addition of TNS and the ramp up of production at Wuzhou Xing Jian, as well as the increase in amortisation of intangible assets.

Finance costs increased from S$0.3 million in 2Q FY17 to S$0.4 million in 2Q FY18, with additional financing cost incurred by Wuzhou Xing Jian and TNS.

The share of results of associate reversed from a profit of S$42,000 in 2Q FY17 to a loss of S$0.1 million in 2Q FY18. This was mainly due to the decrease in gross margin from storage and shipment of metals and lower exchange gain.

The share of results of joint venture was a loss of S$0.6 million in 2Q FY18 as the chartering rate for the liquefied gas carrier vessel was renewed at a significantly lower level in 2Q FY18 as compared to 2Q FY17.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of S$7.9 million in 2Q FY18 as compared to a net loss of S$0.6 million in 2Q FY17. This was mainly due to the provision for impairment loss of S$6.2 million, share of loss of joint venture amounting to S$0.6 million, the amortisation of customer relationship of S$0.3 million, and losses from the warehousing and logistics segment.

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

STATEMENT OF FINANCIAL POSITION

Non-current assets increased S$4.7 million from S$137.3 million as at 31 May 2017 to S$142.0 million as at 30 November 2017. The improvement was mainly due to an increase in property, plant and equipment arising from the redevelopment of the 39 Benoi Road property, the purchase of fixed assets for the operations in Wuzhou Xing Jian and for the warehousing & logistics division in Singapore. The increase was partially offset by (i) the decrease in investment in joint venture due to the impairment loss of S$6.2 million and the share of loss for the period under review, and (ii) the decrease in land use rights and intangible assets due to amortisation.

Current assets increased S$1.6 million from S$32.8 million as at 31 May 2017 to S$34.4 million as at 30 November 2017. This was mainly due to the increase in trade and other receivables resulting from (i) higher trade receivables from Wuzhou Xing Jian due to higher revenue, and (ii) an additional loan of S$1.4 million due to the Group from Gas Aries Limited ("Gas Aries"), a subsidiary of Ocean Latitude. The increase was partially offset by the decline in cash and cash equivalents from S$10.6 million as at 31 May 2017 to S$6.2 million as at 30 November 2017, which was attributed to the redevelopment of the 39 Benoi Road property and the purchase of fixed assets.

Non-current liabilities decreased from S$53.8 million as at 31 May 2017 to S$46.1 million as at 30 November 2017. This was mainly due to the reclassification of the final instalment of a term loan to current borrowings, as well as the repayment of borrowings and finance lease liabilities. The decrease was partially offset by additional loans undertaken for the redevelopment of 39 Benoi Road property.

Current liabilities increased by S$22.5 million from S$28.0 million as at 31 May 2017 to S$50.5 million as at 30 November 2017. The increase was mainly due to (i) the reclassification of a non-current term loan due for renewal within the next twelve months, and additional loans undertaken for working capital purposes in Wuzhou Xing Jian and local subsidiaries, (ii) the increase in trade and other payables arose from Wuzhou Xing Jian, and (iii) higher payables due to the builder on the redevelopment of 39 Benoi Road property. This was offset by (i) the decrease in other liabilities due to payment of bonus accrued in the previous year, and (ii) the repayment of borrowings and finance lease liabilities.

Shareholder's equity decreased from S$88.3 million as at 31 May 2017 to S$79.9 million as at 30 November 2017. The decrease was mainly due to the losses for the period under review.

STATEMENT OF CASH FLOWS

1H FY2018 vs 1H FY2017

During 1H FY18, the Group's net cash generated from operating activities was S$5.7 million. This comprised positive operating cash flows before changes in working capital of S$3.3 million, adjusted by net working capital inflow of S$2.8 million and income tax paid of S$0.4 million.

Net cash used in investing activities was S$15.7 million in 1H FY18. This was mainly due to the cash outlay for the redevelopment of 39 Benoi Road property, and the purchase of fixed assets during the period under review.

Net cash generated from financing activities was S$5.6 million in 1H FY18. This was mainly due to the proceeds from bank borrowings of S$9.7 million for the redevelopment of 39 Benoi Road property, working capital purposes in Wu Zhou Xing Jian and Gas Aries, which was partially offset by the repayment of loans, finance leases and interest expenses.

2Q FY2018 vs 2Q FY2017

The Group's net cash generated from operating activities for 2Q FY18 was S$10.8 million. This comprised positive operating cash flows before changes in working capital of S$1.5 million, adjusted by net working capital inflow of S$9.5 million and income tax paid S$0.3 million.

Net cash used in investing activities of S$11.4 million in 2Q FY18 was mainly due to the cash outlay for the redevelopment of 39 Benoi Road property, and the purchase of fixed assets.

Net cash used in financing activities of S$1.4 million in 2Q FY18 was mainly attributed to repayment of loans and finance leases, and interest paid.

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 redevelopment of the 39 Benoi Road warehouse cum office property has been completed, and the Group began managing the storage space in late 2017. The construction of the vehicular link to connect the 40-foot container ramp from 39 Benoi Road warehouse property to that of 30 Pioneer Road warehouse property will be completed by the third quarter of financial year 2018. On completion of the vehicular link, Viva Industrial Real Estate Investment Trust shall pay the Group S$3 million and share the maintenance and repair costs of the ramp.

As the focus is on operating businesses with good growth potential, the Group will be seeking shareholders' approval in the upcoming extraordinary general meeting, for the proposed divestment of its 50% stake in the joint venture, Ocean Latitude Limited, which owns the liquefied gas carrier vessel.

In late December 2017, the Group invested in a joint venture, G-Chem Logistics Pte. Ltd., to carry out hazardous chemicals warehousing and logistics services for packed products, laden ISO Tanks and chemical drumming. The Group believes that the horizontal expansion within the specialized chemicals space will augment growth in its core warehousing and logistics business.

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.

Not Applicable.

13. If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) $'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) $'000
Gas Aries Limited - loan*	1,438	Nil

* During the period under review, additional loan was provided from the Group to Gas Aries Limited, interest free and repayable on demand.

14. Negative confirmation by the Board pursuant to Rule 705(5)

The Board of Directors confirms that, to the best of their knowledge, nothing has come to their attention which may render the first half financial results of the Company and of the Group for the period ended 30 November 2017 to be false or misleading in any material aspect.

15. Confirmation by the Board pursuant to Rule 720(1) of the listing manual

On behalf of the Board of Directors of the Company, we hereby confirm that we have procured all the required undertakings to comply with the Exchange's listing rules from all the Directors and Executive Officers of the Company.

BY ORDER OF THE BOARD

Neo Cheow Hui
Executive Director and Chief Executive Officer
12 January 2018

This announcement has 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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