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SGX stock code: **595**

GKE achieves higher gross margin and S$4.7 million net profit for FY22

- **Proposes final dividend of 0.20 Singapore cents per share, amounting to approximately 33.0% of net profit of the Group for FY22**
- **Group is optimistic about longer-term prospects from both Singapore and China operations**
  - ☑ Fair Chem Industries with its toll blending and specialty chemical manufacturing capabilities and the conversion of two container yards to DG storage yards to bolster growth in Singapore
  - ☑ Urbanisation trend in China remains intact

Key Financial Highlights:

FYE 31 May (S$' Million)	FY22	FY21	YoY Change
Revenue	104.80	118.99	- 11.9%
Gross profit	26.28	28.70	- 8.4%
Gross profit margin	25.1%	24.1%	+ 1.0 pp
Profit before tax	8.52	17.16	- 50.3%
Net profit (1)	4.70	11.53	- 59.2%
EPS (2) (cents)	0.61	1.49	- 59.1%

* FY denotes 12 months ended 31 May
(1) Net profit attributable to owners of the Company
(2) Earnings per share are based on the average weighted number of shares of 775.12 million for FY22 and 776.34 million for FY21.

For Immediate Release

SINGAPORE, 27 July 2022 – GKE Corporation Limited 锦佳集团 ("**GKE**" and, together with its subsidiaries, the "**Group**"), a leading integrated warehousing and logistics solutions provider with strategic investments in infrastructural materials and services business in China and agri-tech business in Singapore, registered a 59.2% decline in net profit to S$4.7 million, on the back of an 11.9% decline in revenue to S$104.8 million for the financial year ended 31 May 2022 ("**FY22**"). The significant decrease in net profit stemmed mainly from (i) reduction in government support schemes, and (ii) lower contribution from the Group's infrastructural materials and services segment amidst China's "zero-Covid" policy and adverse sentiment in the real estate sector.

Commenting on the financial performance, **Mr. Neo Cheow Hui (梁鹏飞), CEO and Executive Director of GKE** said, "**We are satisfied by our financial performance in FY22 as the Group has continued to overcome evolving changes in our business environment in Singapore and China amid the prolonged Covid-19 pandemic and geopolitical uncertainties.**

Our efforts in advancing our conventional warehousing and logistics operations towards higher value-adding solutions and services for our customers took time, and reinforced our fundamentals as we broadened into higher margin solutions and services, such as handling and storage of dangerous goods ("DG") and pharmaceutical products."

The Group had, on 28 January 2022, completed its acquisition of Fair Chem Industries Pte Ltd ("**FCI**"), an established specialty chemicals warehouse operator with toll blending and specialty chemical manufacturing capabilities in Singapore. The acquisition of FCI, which comprises a facility that is fully equipped with a complete range of equipment and machinery capable of blending and manufacturing specialty chemicals and products according to customers' specifications and formulations, will broaden the Group's capabilities in the chemicals sector. The full-year contribution of FCI, as well as the successful conversion of two container storage yards in the Group's existing premises into DG storage yards, are likely to yield positive contribution to the earnings base of the warehousing and logistics segment in the new financial year ending 31 May 2023 ("**FY23**").

Added Mr. Neo, "**The unexpected turmoil in China's real estate sector and the stringent precautionary measures in compliance with the Chinese government's "zero-Covid" policy, had adversely impacted the Chinese economy, as well as the financial performance of our infrastructural materials and services segment in China. Nevertheless, we believe the urbanisation trend in China is intact and we remain committed to safeguard the health and safety of our employees.**

Meanwhile, we are mindful of the rising inflationary pressure on our operations as we continue to strive to minimise risk and adverse impact.

As countries move progressively from the pandemic phase to an endemic phase, we are optimistic about our longer-term prospects in both our warehousing and logistics segment in Singapore, and infrastructural materials and services segment in China. We are motivated and committed to emerge stronger with our employees, customers, and business partners in a sustainable manner."

The Group will update shareholders on the progress of its business operations and corporate developments in both Singapore and China, as and when appropriate.

Financial Review

In the financial year under review, the Group experienced stronger growth in its Singapore operations which includes its core warehousing and logistics segment, as well as its indoor vegetable farming business. The unexpected turmoil in the real estate sector in China, as well as the resurgence of new Covid-19 variants and sub-variants resulting in lockdowns and heightened precautionary measures, had adversely impacted the operations and performance of the Group's infrastructural materials and services segment in China in FY22.

Revenue analysis by business segment

	FY22 (S$'000)	FY21 (S$'000)	YoY Change
Warehousing & Logistics	74,655	66,149	+ 12.9%
Strategic Investments:			
Infrastructural materials & services	29,920	52,817	- 43.4%
Agriculture (indoor vegetable farm)	228	20	N.M.
Total	**104,803**	**118,986**	**- 11.9%**

The Group's gross profit decreased by 8.4% from S$28.7 million in FY21 to S$26.3 million in FY22. This was mainly due to lower cost of sales in tandem with lower revenue contribution from the infrastructural materials and services segment in China, but was lifted by higher gross margin from the warehousing and logistics segment on the back of higher utilisation of warehousing space and increase in transportation and handling services. Correspondingly, gross margin increased slightly from 24.1% in FY21 to 25.1% in FY22.

Other income decreased by 70.8% from S$7.3 million in FY21 to S$2.1 million in FY22, mainly due to the reduction in government support schemes for the Singapore operations.

Total operating expenses comprising marketing and distribution expenses and administrative expenses, increased by 6.9% from S$16.2 million in FY21 to S$17.3 million in FY22. The increase was mainly due to higher staff costs, legal and professional fee, increase in amortisation of intangible assets by S$67,000 and increase in provision for impairment of financial assets by S$178,000, which was partially offset by lower marketing and distribution expenses incurred by the infrastructural materials and services segment in China.

Other credit of S$84,000 in FY22 was mainly due to net foreign exchange gain, and the increase in finance costs to S$2.9 million in FY22 was due to the increase in bank borrowings for the acquisition of Fair Chem Industries Pte Ltd.

Share of result from associate saw construction material waste recycling plant, Cenxi Haoyi Recycling Co., Ltd, contributed a gain of S$200,000 in FY22, a reversal from a loss of S$90,000 as a result of start-up costs in FY21.

After taking into account tax expenses, which has an effective tax rate of 44.8% in FY22 due to the loss-making position from the infrastructural materials and services segment in China, the Group's net profit attributable to shareholders declined from S$11.5 million in FY21 to S$4.7 million in FY22. Nonetheless, the Group's net asset value per share increased from 11.40 Singapore cents as at 31 May 2021 to 11.74 Singapore cents as at 31 May 2022.

The Board is recommending a final (tax exempted) dividend of 0.20 Singapore cents per share, amounting to approximately 33.0% of net profit of the Group for FY22, which is an increase from approximately 26.9% in the dividend payout in FY21. The proposed dividend is subject to the approval of shareholders at the forthcoming annual general meeting.

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This media release is to be read in conjunction with the Company's announcement posted on the SGX website on 27 July 2022.

About GKE Corporation Limited

(Stock Code – SGX: 595 | Bloomberg: GKEC SP | Thomson Reuters: GKEC.SI)

GKE Corporation Limited 锦佳集团 (“**GKE**” or the “**Company**” and, together with its subsidiaries, the “**Group**”) is a leading integrated warehousing and logistics solutions provider offering one-stop, end-to-end multi-modal supply chain management solutions and services, with strategic investments in infrastructural materials and services business in China and agri-tech. The main business activities of GKE can be classified into two broad categories: (i) warehousing & logistics, and (ii) strategic investments.

The Group’s facilities host one of the best material handling systems, with the most up-to-date safety and security features. It leverages information technology to increase order visibility, maximise operational efficiency, effective inventory management, and reduce overall supply chain costs for its customers.

The Group provides total integrated and comprehensive warehousing and logistics solutions and services that include general cargo storage, dangerous cargo storage (Class 2, 3, 4, 5.1, 6.1, 8, and 9), bonded and license warehousing services, conventional transportation, container trucking, project logistics, international multi-modal sea, and air freight forwarding services, marine logistics and chemical warehousing. The Group has also established its support services at the port operations to further enhance the logistics value chain.

The Group’s strategic investments focusing on infrastructural materials and services business in the Republic of China have diversified to include the agri-tech business, specifically indoor cultivation of vegetables in Singapore, in early 2021. The strategic investments under infrastructural materials and services are broadened through its wholly-owned subsidiary, Wuzhou Xing Jian Readymix Co., Ltd. 梧州市星建混凝土 (“**Wuzhou Xing Jian**”), which is primarily engaged in the manufacturing and supplying of ready-mix concrete products to the infrastructural development and construction sector in Wuzhou City since June 2016. The ongoing urbanisation plans in China spurred the Group to expand its automated ready-mix concrete manufacturing business to Cenxi City. Through Wuzhou Xing Jian, the Group has also extended its investments to (i) construction material waste recycling 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.

For more information, please visit the Company website at www.gke.com.sg.

Issued for and on behalf of **GKE Corporation Limited** by Octave FinComm Private Limited:

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*This media release has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).*

This media release has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this media release, including the correctness of any of the statements or opinions made or reports contained in this media release.

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