



GKE CORPORATION LIMITED
(Company Registration No. 200001941G)

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2018

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		
	Third Quarter Ended		change	Nine Months Ended		change
	28-Feb-18	28-Feb-17		28-Feb-18	28-Feb-17	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	17,322	15,997	8.3	52,820	39,292	34.4
Cost of sales	(14,097)	(12,736)	10.7	(43,473)	(31,589)	37.6
Gross profit	3,225	3,261	(1.1)	9,347	7,703	21.3
Other income	198	136	45.6	839	531	58.0
Expenses						
Marketing and distribution costs	(68)	(133)	(48.9)	(193)	(213)	(9.4)
Administrative expenses	(2,666)	(3,218)	(17.2)	(15,527)	(7,683)	102.1
Finance costs	(481)	(362)	32.9	(1,298)	(1,128)	15.1
Other expenses	-	(94)	N.M.	-	(201)	N.M.
Share of results of associates	(109)	103	N.M.	(206)	20	N.M.
Share of results of joint venture	(477)	(512)	(6.8)	(1,731)	58	N.M.
Loss before tax	(378)	(819)	(53.8)	(8,769)	(913)	N.M.
Tax expense	(303)	20	N.M.	(687)	(169)	306.5
Loss for the period	(681)	(799)	(14.8)	(9,456)	(1,082)	773.9
(Loss)/profit attributable to:						
Owners of the Company	(758)	(930)	(18.5)	(9,841)	(1,362)	622.5
Non-controlling interests	77	131	(41.2)	385	280	37.5
	(681)	(799)	(14.8)	(9,456)	(1,082)	773.9

Loss before tax includes the following items :

	The Group			The Group		
	Third Quarter Ended		change	Nine Months Ended		change
	28-Feb-18	28-Feb-17		28-Feb-18	28-Feb-17	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Audit fees payable to:						
- Auditors of the Company	(45)	(16)	181.3	(152)	(106)	43.4
Non-audit fees payable to:						
- Auditors of the Company	(8)	(5)	60.0	(24)	(22)	9.1
(Allowance)/reversal of allowance for doubtful trade receivables	(3)	(1)	200.0	(3)	16	N.M.
Amortisation of land use rights	(27)	(27)	-	(80)	(80)	-
Amortisation of customer relationship	(290)	(76)	281.6	(957)	(229)	317.9
Bad debts written off	-	-	-	-	(19)	N.M.
Depreciation of property, plant and equipment	(2,447)	(1,528)	60.1	(5,558)	(4,517)	23.0
Fair value adjustment on contingent consideration	-	-	N.M.	315	-	N.M.
Gain on disposal of available-for-sale investments	-	-	N.M.	-	8	N.M.
Gain on disposal of property, plant and equipment	13	6	116.7	185	93	98.9
Impairment of available-for-sale investments	-	-	N.M.	(35)	(32)	9.4
Reversal of provision/(provision) for impairment loss on investment in joint venture	675	-	N.M.	(5,566)	-	N.M.
Interest income	-	13	N.M.	2	46	(95.7)
Legal and professional fees	(132)	(119)	10.9	(256)	(315)	(18.7)
Net foreign exchange gain/(loss)	59	(94)	N.M.	31	(201)	N.M.

N.M. denotes not meaningful.



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1 (a)(i) Consolidated Statement of Comprehensive Income for the period ended 28 February 2018

	The Group			The Group		
	Third Quarter Ended			Nine Months Ended		
	28-Feb-18	28-Feb-17	change	28-Feb-18	28-Feb-17	change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Loss for the period	(681)	(799)	(14.8)	(9,456)	(1,082)	773.9
Other comprehensive income, net of tax						
Foreign currency translation	305	(360)	N.M.	165	(300)	N.M.
Fair value transfer to profit on disposal of available-for-sale investments	-	-	N.M.	-	(6)	N.M.
Fair value gain/(loss) on available-for-sale investments	53	(188)	N.M.	41	169	(75.7)
Revaluation gain on property, plant and equipment	2,768	-	N.M.	2,768	-	N.M.
Share of foreign currency translation of associates	18	(9)	N.M.	24	(38)	N.M.
Other comprehensive income for the period, net of tax	3,144	(557)	N.M.	2,998	(175)	N.M.
Total comprehensive income for the period	<u>2,463</u>	<u>(1,356)</u>	N.M.	<u>(6,458)</u>	<u>(1,257)</u>	413.8
Profit/(loss) attributable to:						
Owners of the Company	2,290	(1,488)	N.M.	(6,966)	(1,440)	383.8
Non-controlling interests	173	92	88.0	508	183	177.6
Total comprehensive income for the period	<u>2,463</u>	<u>(1,396)</u>	N.M.	<u>(6,458)</u>	<u>(1,257)</u>	413.8



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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	
	Unaudited	Audited	Unaudited	Audited
	28-Feb-18	31-May-17	28-Feb-18	31-May-17
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	136,489	111,053	166	156
Land use rights	4,825	4,745	-	-
Intangible assets	7,770	8,727	-	-
Investments in subsidiaries	-	-	52,138	59,560
Investment in associate	2,636	2,818	3,189	3,189
Investment in joint venture	1,525	9,228	-	-
Available-for-sale investments	754	697	754	697
Other receivables	-	-	5,252	4,866
Total non-current assets	153,999	137,268	61,499	68,468
Current assets				
Inventories	568	253	-	-
Trade and other receivables	22,287	19,116	12,765	12,361
Prepaid operating expenses	684	713	33	25
Fixed deposits (restricted)	2,180	2,180	-	-
Cash and cash equivalents	5,848	10,582	334	528
Total current assets	31,567	32,844	13,132	12,914
Total assets	185,566	170,112	74,631	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	(10,481)	(640)	(24,925)	(17,066)
Other reserves	9,608	6,742	314	282
Equity attributable to owners of the Company	76,620	83,051	52,882	60,165
Non-controlling interests	5,511	5,213	-	-
Total equity	82,131	88,264	52,882	60,165
Non-current liabilities				
Other liabilities	2,194	2,068	-	-
Borrowings	52,789	49,323	-	-
Deferred tax liabilities	2,419	2,002	-	-
Finance lease liabilities	69	454	-	-
Total non-current liabilities	57,471	53,847	-	-
Current liabilities				
Trade and other payables	7,542	7,594	19,300	18,777
Other liabilities	14,110	6,829	2,400	2,376
Borrowings	19,829	7,655	-	-
Finance lease liabilities	3,752	3,709	49	64
Tax payable	731	2,214	-	-
Total current liabilities	45,964	28,001	21,749	21,217
Total liabilities	103,435	81,848	21,749	21,217
Total equity and liabilities	185,566	170,112	74,631	81,382



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

	The Group		The Group	
	As at 28 Feb 2018		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	3,752	-	3,709	-
Borrowings	19,829	-	7,655	-
(b) Amount repayable after one year				
Finance lease liabilities	69	-	454	-
Borrowings	52,789	-	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 and lifting equipment that are secured by the lessor's charge over the leased assets and are secured by corporate guarantee from GKE Corporation Limited ("GKEC") and non-controlling interests.

Borrowings repayable in one year or less and the borrowings repayable after one year 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	
	Third Quarter Ended	28-Feb-17	Nine Months Ended	28-Feb-17
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flow from operating activities				
Loss before tax	(378)	(819)	(8,769)	(913)
Adjustments for:				
Allowance/(reversal of allowance) for doubtful trade receivables	3	1	3	(16)
Amortisation of land use rights	27	27	80	80
Amortisation of customer relationship	290	76	957	229
Bad debts written off	-	-	-	19
Depreciation of property, plant and equipment	2,447	1,528	5,558	4,517
Fair value adjustment of consideration	-	-	(315)	-
Gain on disposal of available-for-sale investments	-	-	-	(8)
Gain on disposal of property, plant and equipment	(13)	(6)	(185)	(93)
Impairment of available-for-sale investments	-	-	35	32
Interest expense	354	358	1,150	1,110
Interest income	-	(13)	(2)	(46)
Property, plant and equipment written off	(1)	-	-	4
Impairment loss on investment in joint venture	(675)	-	5,566	-
Share of results of joint venture	477	512	1,731	(58)
Share of results of associates	109	(103)	206	(20)
Effect of exchange rate changes	(218)	226	(314)	245
Operating cash flows before changes in working capital	2,422	1,787	5,701	5,082
Changes in working capital:				
Inventories	(233)	140	(314)	11
Trade and other receivables	2,842	(2,256)	(3,174)	(3,204)
Prepaid operating expenses	(75)	(179)	29	(132)
Trade and other payables	(10,583)	4,355	(52)	2,853
Other liabilities	2,178	1,123	459	315
Cash flows (used in)/from operations	(3,449)	4,970	2,649	4,925
Interest received	-	13	2	46
Income tax paid	(1,948)	(511)	(2,331)	(1,009)
Net cash flows (used in)/generated from operating activities	(5,397)	4,472	320	3,962
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)
Proceeds from disposal of property, plant and equipment	18	15	423	133
Purchase of property, plant and equipment	(2,191)	(11,572)	(18,281)	(15,854)
Net cash flows used in investing activities	(2,173)	(11,557)	(17,909)	(17,157)
Cash flows from financing activities				
Dividends paid	-	-	-	(3,795)
Dividends paid to non controlling interest	(210)	-	(210)	-
Interest paid	(354)	(358)	(1,150)	(1,110)
Proceeds from borrowings	9,831	5,466	19,451	7,249
Purchase of treasury shares	-	-	-	(155)
Repayment of obligation under finance leases	(470)	(421)	(1,446)	(1,177)
Repayments of loans and borrowings	(1,540)	(1,316)	(3,747)	(3,188)
Increase in fixed deposits charged with bank	-	-	-	(2,180)
Net cash generated from/(used in) financing activities	7,257	3,371	12,898	(4,356)
Net decrease in cash and cash equivalents	(313)	(3,714)	(4,691)	(17,551)
Cash and cash equivalents at the beginning of financial period	6,150	16,910	10,582	30,768
Effect of exchange rate changes on cash and cash equivalents	11	40	(43)	19
Cash and cash equivalents at the end of financial period ⁽¹⁾	5,848	13,236	5,848	13,236



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Explanatory Notes:

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

	The Group Third Quarter Ended		The Group Nine Months Ended	
	28-Feb-18	28-Feb-17	28-Feb-18	28-Feb-17
	S\$'000	S\$'000	S\$'000	S\$'000
Cash at banks and on hand	5,848	13,236	5,848	13,236
Fixed deposits (restricted)	2,180	2,180	2,180	2,180
	8,028	15,416	8,028	15,416
Fixed deposits charged with bank	(2,180)	(2,180)	(2,180)	(2,180)
Cash and cash equivalents	5,848	13,236	5,848	13,236

(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 28 February 2018

The Group	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Other reserves S\$'000	Total attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity 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	-	-	(1,362)	-	(1,362)	280	(1,082)
<u>Other comprehensive income:</u>							
Fair value transfer to profit on disposal of available-for-sale investments	-	-	-	(6)	(6)	-	(6)
Fair value gain on available-for-sale investments	-	-	-	169	169	-	169
Foreign currency translation	-	-	-	(203)	(203)	(97)	(300)
Share of other comprehensive income of associate	-	-	-	(38)	(38)	-	(38)
Other comprehensive income for the period, net of tax	-	-	-	(78)	(78)	(97)	(175)
Total comprehensive income for the period	-	-	(1,362)	(78)	(1,440)	183	(1,257)
<u>Contributions by and distributions to owners:</u>							
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 28 February 2017	79,165	(1,216)	268	6,126	84,343	5,111	89,454

The Group	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Other reserves S\$'000	Total attributable to owners of the Company S\$'000	Non-controlling interests S\$'000	Total equity 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	-	-	(9,841)	-	(9,841)	385	(9,456)
<u>Other comprehensive income:</u>							
Fair value loss on available-for-sale investments	-	-	-	41	41	-	41
Revaluation gain on property, plant and equipment	-	-	-	2,768	2,768	-	2,768
Foreign currency translation	-	-	-	42	42	123	165
Share of other comprehensive income of associate	-	-	-	24	24	-	24
Other comprehensive income for the period, net of tax	-	-	-	2,875	2,875	123	2,998
Total comprehensive income for the period	-	-	(9,841)	2,875	(6,966)	508	(6,458)
<u>Contributions by and distributions to owners:</u>							
Dividend paid to non controlling interest	-	-	-	-	-	(210)	(210)
Treasury shares reissued pursuant to acquisition of a subsidiary	-	544	-	(9)	535	-	535
Total contributions by and distributions to owners	-	544	-	(9)	535	(210)	325
Total transactions with owners in their capacity as owners	-	544	-	(9)	535	(210)	325
Balance as at 28 February 2018	78,165	(672)	(10,481)	9,608	76,620	5,511	82,131



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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 28 February 2018

The Company	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Total equity S\$'000
Balance as at 1 June 2016	74,831	(1,537)	(11,356)	312	62,250
Loss for the period	-	-	(850)	-	(850)
<u>Other comprehensive income:</u>					
Fair value transfer to profit or loss on disposal of available-for-sale investments	-	-	-	(6)	(6)
Fair value gain on available-for-sale investments	-	-	-	169	169
Other comprehensive income for the period, net of tax	-	-	-	163	163
Total comprehensive income for the period	-	-	(850)	163	(687)
<u>Contributions by and distributions to owners:</u>					
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 28 February 2017	79,165	(1,216)	(16,001)	390	62,338

The Company	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Total equity S\$'000
Balance as at 1 June 2017	78,165	(1,216)	(17,066)	282	60,165
Loss for the period	-	-	(7,859)	-	(7,859)
<u>Other comprehensive income:</u>					
Fair value gain on available-for-sale investments	-	-	-	41	41
Other comprehensive income for the period, net of tax	-	-	-	41	41
Total comprehensive income for the period	-	-	(7,859)	41	(7,818)
<u>Contributions by and distributions to owners:</u>					
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 28 February 2018	78,165	(672)	(24,925)	314	52,882



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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 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 of the issuer and subsidiary holdings, 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	
	28-Feb-18	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	<u>694,700,540</u>	<u>694,700,540</u>
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	<u>(6,168,650)</u>	<u>(11,168,650)</u>
Total	<u>688,531,890</u>	<u>683,531,890</u>

(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 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, 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.



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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			
	Third Quarter Ended		Nine Months Ended	
	28-Feb-18	28-Feb-17	28-Feb-18	28-Feb-17
Loss per share (in SGD cent)				
- Basic ⁽¹⁾	(0.11)	(0.14)	(1.44)	(0.21)
- Fully diluted ⁽²⁾	(0.11)	(0.14)	(1.44)	(0.21)
(1) Weighted average number of shares	688,531,890	683,531,890	685,638,117	649,498,593
(2) Calculated based on weighted average number of shares for diluted earnings	688,531,890	683,531,890	685,638,117	649,498,593

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	
	28-Feb-18	31-May-17	28-Feb-18	31-May-17
Net assets (S\$'000)	76,620	83,051	52,882	60,165
Net asset value per share (in SGD cents)	11.13	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 extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

8 (a) REVIEW OF THE PERFORMANCE OF THE GROUP
INCOME STATEMENT

9M FY2018 vs 9M FY2017

The Group recorded a 34.4% increase in revenue to S\$52.8 million for the nine months ending 28 February 2018 ("9M FY18"), up from S\$39.3 million for the nine months ending 28 February 2017 ("9M FY17"). This was mainly due to the full nine months contribution from its port operations service provider, TNS Ocean Lines (S) Pte Ltd ("TNS"), which was acquired at end of the 2nd quarter of FY2017, as well as higher revenue contribution from its ready-mix concrete manufacturing plant, Wuzhou Xing Jian Readymix Co., Ltd ("Wuzhou Xing Jian") on increased production. The increase was partially offset by the decrease in storage and handling revenue from the warehousing & logistics segment amidst intense competition in the industry.

Cost of sales increased by 37.6% from S\$31.6 million in 9M FY17 to S\$43.5 million in 9M FY18 on the back of higher operational expenses.

Gross profit increased by 21.3% from S\$7.7 million in 9M FY17 to S\$9.3 million in 9M FY18. The Group's gross margin declined from 19.6% in 9M FY17 to 17.7% in 9M FY18, mainly due to lower gross margin from the warehousing & logistics segment.



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Other income was higher at S\$0.8 million in 9M FY18 as compared to S\$0.5 million in 9M FY17, due to the gain on disposal of property, plant and equipment, consultancy fees and additional income including government grants and insurance claims.

Marketing and distribution costs decreased 9.4% from S\$213,000 in 9M FY17 to S\$193,000 in 9M FY18. This was mainly due to lower expenses incurred on marketing for Wuzhou Xing Jian and TNS.

Administrative expenses increased significantly from S\$7.6 million in 9M FY17 to S\$15.5 million in 9M FY18. This was mainly due to a S\$5.6 million provision for impairment loss in the joint venture for the liquefied gas carrier vessel, Ocean Latitude Limited ("**Ocean Latitude**"), as well as increases in depreciation of property, plant and equipment and amortisation of intangible assets.

Finance costs increased by 15.1% from S\$1.1 million in 9M FY17 to S\$1.3 million in 9M FY18, mainly due to additional financing cost incurred for loans taken for the construction of 39 Benoi Road property and the increase in interest expense on higher borrowings for working capital purposes at Wuzhou Xing Jian. The increase was partially offset by lower interest expense arising from the refinancing of the loan for a property.

There were no other expenses in 9M FY18 as net foreign exchange gain was classified as other income.

The share of loss from associates, GKE Metal Logistics Pte Ltd ("**GKE Metal**"), reversed from a profit of S\$20,000 in 9M FY17 to a loss of S\$0.2 million in 9M FY18. This was due to a decline in gross margins from storage and shipment of metals, and lower exchange gains.

The share of results of joint venture reversed from a profit of S\$58,000 in 9M FY17 to a loss of S\$1.7 million in 9M FY18. This was due to the protracted slowdown in the oil and gas industry, which resulted in significantly lower chartering rates secured in 9M FY18 compared to that in the previous corresponding period.

Taking into consideration the aforementioned, the Group recorded a net loss attributable to owners of the Company of S\$9.8 million in 9M FY18 as compared with a net loss of S\$1.4 million in 9M FY17. The net loss was mainly due to the provision for impairment loss amounting to S\$5.6 million, share of loss of joint venture amounting to S\$1.7 million, amortisation of customer relationships of S\$1.0 million, and losses from the warehousing and logistics segment, which was partially offset by the increase in profit from the infrastructural logistics segment.

Other comprehensive income for foreign currency translation and revaluation gain on property, plant and equipment was a result of the translation of the financial statement of the foreign subsidiary & foreign associates and revaluation gain of a property.

3Q FY2018 vs 3Q FY2017

The Group's revenue grew 8.3% to S\$17.3 million for the third quarter ended 28 February 2018 ("**3Q FY18**") from S\$16.0 million for the third quarter ended 28 February 2017 ("**3Q FY17**"). The increase was mainly driven by higher revenue contributions from Wuzhou Xing Jian and GKE Express Logistics Pte Ltd ("**GKE Express Logistics**"), but partially offset by lower revenue contribution particularly from TNS.

Cost of sales in 3Q FY18 increased by 10.7% to S\$14.1 million from S\$12.7 million in 3Q FY17. The increase was due to higher operational expenses in line with higher revenue from Wuzhou Xing Jian and GKE Express Logistics.

The Group's gross profit decreased by 1.1% to S\$3.2 million in 3Q FY18 from S\$3.3 million in 3Q FY17. This was due to lower revenue contribution from TNS. The composite gross margin decreased from 20.4% in 3Q FY17 to 18.6% in 3Q FY18.

Other income arising from interest income, government grants, gain on disposal of fixed assets and net exchange gain, increased from S\$136,000 in 3Q FY17 to S\$198,000 in 3Q FY18. The increase was mainly due to a net exchange gain of \$59,000.

Marketing and distribution costs fell by 48.9% from S\$133,000 in 3Q FY17 to S\$68,000 in 3Q FY18. This was mainly due to the decrease in marketing expenses incurred by TNS.

Administrative expenses decreased 17.2% from S\$3.2 million in 3Q FY17 to S\$2.7 million in 3Q FY18. This was mainly due to the reversal of provision for impairment loss on investment in the joint venture of \$0.7 million.

Finance costs increased from S\$0.4 million in 3Q FY17 to S\$0.5 million in 3Q FY18, with additional financing cost incurred for a loan taken for the construction of 39 Benoi Road property.

The share of results of associates, GKE Metal, reversed from a profit of S\$103,000 in 3Q FY17 to a loss of S\$109,000 in 3Q FY18. This was mainly due to the decrease in gross margins from storage and shipment of metals.

The share of results of joint venture was a loss of S\$0.5 million in 3Q FY18 as the chartering rate for the liquefied gas carrier vessel was renewed at a slightly higher chartering rate compared to 3Q FY17.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of S\$0.8 million in 3Q FY18 as compared to a net loss of S\$0.9 million in 3Q FY17.



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

Non-current assets increased S\$16.7 million from S\$137.3 million as at 31 May 2017 to S\$154.0 million as at 28 February 2018. The increase was mainly due to (i) an increase in property, plant and equipment arising from the completion of the 39 Benoi Road property, and (ii) the purchase of fixed assets for the operations in Wuzhou Xing Jian in China 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\$5.6 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 decreased S\$1.3 million from S\$32.8 million as at 31 May 2017 to S\$31.5 million as at 28 February 2018. This was mainly due to the decline in cash and cash equivalents from S\$10.6 million as at 31 May 2017 to S\$5.9 million as at 28 February 2018, which was used for the repayment of borrowings upon the completion of the redevelopment of 39 Benoi Road property and the purchase of fixed assets. The decrease was offset by 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.

Non-current liabilities increased from S\$53.8 million as at 31 May 2017 to S\$57.5 million as at 28 February 2018. The increase was mainly due to additional loans for the construction of 39 Benoi Road property and additional finance leases for purchase of fixed assets. This increase was partially offset by the reclassification of the final installment of a term loan to current borrowings, as well as the repayment of borrowings and purchase of fixed assets.

Current liabilities increased S\$18.0 million from S\$28.0 million as at 31 May 2017 to S\$46.0 million as at 28 February 2018. 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 for working capital purposes in the Group's subsidiaries in Singapore and Wuzhou Xing Jian, and (ii) increase in other liabilities due to accrual for the construction of 39 Benoi Road property. This was offset by a decrease in tax payable as taxes were paid.

Shareholder's equity decreased from S\$88.3 million as at 31 May 2017 to S\$82.1 million as at 28 February 2018. The decrease was mainly due to the losses for the period under review.

STATEMENT OF CASH FLOWS

9M FY2018 vs 9M FY2017

During 9M FY18, the Group's net cash generated from operating activities was S\$0.3 million. This comprised positive operating cash flows before changes in working capital of S\$5.7 million, adjusted by net working capital outflow of S\$3.1 million and income tax paid of S\$2.3 million.

Net cash used in investing activities was S\$17.9 million in 9M FY18. This was mainly due to the cash outlay for the redevelopment of 39 Benoi Road property, and the purchase of fixed assets of S\$18.3 million during the financial period under review.

Net cash generated from financing activities was S\$12.9 million in 9M FY18. This was mainly due to the proceeds from bank borrowings of S\$19.5 million for the completion of 39 Benoi Road property, working capital purposes in Wuzhou Xing Jian and Gas Aries, which was partially offset by the repayment of loans, finance leases and interest expenses.

3Q FY2018 vs 3Q FY2017

The Group's net cash used in operating activities for 3Q FY18 was S\$5.4 million. This comprised positive operating cash flows before changes in working capital of S\$2.4 million, adjusted by net working capital outflow of S\$5.9 million and income tax paid S\$1.9 million.

Net cash used in investing activities of S\$2.2 million in 3Q FY18 was mainly due to the cash outlay for the redevelopment of 39 Benoi Road property and the purchase of fixed assets.

Net cash generated from financing activities of S\$7.3 million in 3Q FY18 was mainly due to the proceeds from bank borrowings of \$9.8 million for the completion of 39 Benoi Road property, working capital purposes in Wuzhou Xing Jian and Gas Aries, which was partially offset by the repayment of loans and finance leases, and interest paid.



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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 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 is completed and awaiting for the lodgement of easement by Viva Industrial Real Estate Investment Trust ("VI-REIT"). Upon the lodgement, VI-REIT shall pay the Group S\$3 million and share the maintenance and repair costs of the ramp.

The Group has on 6 April 2018 announced the notice of the extraordinary general meeting on 23 April 2018, to seek shareholders' approval for the proposed divestment of its 50% stake in the joint venture, Ocean Latitude Limited, which holds the liquefied gas carrier vessel.

The Group will continue to rationalise its business operations to focus on driving growth from its core warehousing and logistics business amid the challenging market dynamics in the warehousing and logistics industry.

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.



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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)	1,438	Nil

(1) 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 third quarter financial results of the Company and of the Group for the period ended 28 February 2018 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 April 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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