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

RESPONSE TO QUESTIONS FROM SIAS

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

(a) the annual report of the Company for the financial year ended 31 May 2024 ("**FY2024**");

(b) the notice of annual general meeting ("**AGM**") issued on 12 September 2024 informing the shareholders of the Company that the AGM will be convened and held at 39 Benoi Road #06-01 Singapore 627725 on Friday, 27 September 2024 at 10.00 a.m.; and

(c) the accompanying announcement in relation to the AGM.

The Company has not received any questions from shareholders to date. The Company has set out its responses to the relevant questions from Securities Investors Association Singapore (SIAS) in this announcement.

BY ORDER OF THE BOARD

Neo Cheow Hui
Chief Executive Officer and Executive Director
23 September 2024

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*This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

The contact person for the Sponsor is Mr. Josh Tan at 36 Robinson Road, #10-06 City House, Singapore 068877, Email: sponsor@rhtgoc.com.

SIAS Questions

Q1. Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:
(Source: company annual report)

(i) **Warehouse and logistics (Singapore): What were the average utilisation rates of the group's warehouses and logistics infrastructure? How much additional growth can the existing infrastructure accommodate? Are there plans to acquire additional capacity through the acquisition of new warehouses or facilities?**

(ii) **Infrastructural materials and services (China):** Revenue from the segment has fallen to ~$22 million in the past two years, with segment loss increasing to $(1.06) million. **Can management share more insights on the business environment in Guangxi, particularly in Wuzhou and Cenxi? What strategies are in place to address the macroeconomic challenges, and are there any potential opportunities for recovery or growth?**

(iii) **Agriculture:** Management has indicated that the agriculture business is not expected to have a material impact on the group's earnings. While revenue has increased, the segment remains loss-making, with losses of $(332,000) in FY2024. The group has invested over $4 million in fixed assets in the business. **When does management expect the segment to break even? Are further capital investments anticipated in the short to medium term?**

Company's Response:

Q1(i) The Singapore logistics warehouses were enjoying a healthy occupancy rate in the financial year ended 31 May 2024 ("**FY2024**"). As of now, we are focusing on enhancing our capability in handling dangerous cargoes as these are of higher value and can give us better yield. The Company will make the necessary announcements as and when there is any further material developments that require announcement pursuant to the listing rules.

Q1(ii) The property and infrastructure segments in China were tougher in recent times as compared to the time preceding the COVID-19 pandemic. To minimize the impact of such downturn, the management has been very selective in their customer resulting in reduction in sales. With reference to the Annual Report on Page 124, the losses mainly arose from the allowance for expected credit loss and not directly from the operations.

Q1(iii) This is a new greenfield and it is still in an incubation phase with help and support from the Singapore government. Any further investment will depend on the opportunity and expected risk and return profile of such further investment.

Q2. The "allowance for expected credit losses for trade receivables" is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

The aging of the trade receivables can be found on page 118 of the annual report.
(Source: company annual report)

It is noted that trade receivables past due by more than 365 days jumped significantly since the financial year ended 31 May 2022, from $2.12 million in FY2021 to $9.17 million in FY2022 and it has further increased to $13.6 million as at 31 May 2024.

(i) **Can management elaborate on the key challenges they face in collecting long-outstanding trade receivables, particularly those overdue by more than 365 days? How has management adjusted its collection strategies to address these challenges, and what measurable improvements have been seen so far?**

(ii) **What is the breakdown of the gross amount of trade receivables overdue by more than 365 days? Can management provide a detailed analysis by customer, business segment, geographic region, and length of overdue period?**

(iii) **Is the group still trading with customers with long overdue trade receivables? If so, what steps are being taken to mitigate further risk exposure with these customers?**

(iv) **What specific directives has the board provided to management concerning the resolution of long-overdue receivables? How frequently does the board review collection performance, and what accountability measures are in place to ensure progress?**

(v) **Has management consistently adhered to the group's credit risk framework when extending credit to third parties? Can management provide examples of recent actions taken to strengthen credit risk controls, and what role has the board played in ensuring these controls are robust and effective?**

Company's Response:

Q2(i) The long outstanding debts are mainly from the infrastructural material and services segment. Due to the downturn in the property and infrastructure segment in China, it has resulted in difficulties in the overall business environment in China and hence, slower collection. The management team in China has also initiated legal proceeding against most of the debtors with long outstanding balances to safeguard our rights on these debts.

Q2(ii) This information is commercially sensitive, and we are not disclosing it.

Q2(iii) The Group has procedures in place to manage its credit risk exposure, including cessation of credit terms for customers that have significant long overdue trade receivables.

Q2(iv) The Board has oversight of the situation, and the management has updated the Board on the situation at least once every quarter.

Q2(v) The local management established the credit policy and practices under the oversight of the Chief Financial Officer of the Group. As explained, the slower collection is an industrywide issue in China with the downturn in property and infrastructure segment in China and it is specifically caused by our credit policy and practices.

Q3. As noted in the corporate governance report, Mr Ho Ying Ming and Mr Andrew Chua Thiam Chwee who have served on the board for an aggregate period of nine years by 30 September 2024 will be stepping down as independent directors on or before 30 September 2024.

Mr Tan Boon Gin, CEO of SGX RegCo, had noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.

(i) **Has the nominating committee (NC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future director appointments?**

(ii) **What is the progress made in onboarding new independent directors?**

(iii) **Has the NC evaluated the potential value of independent directors with deep expertise in supply chain management, infrastructure development, or operations in China?**

The board has stated that it has adopted a formal board diversity policy (BDP). Details of the BDP can be found on pages 26 and 27 of the annual report.
(Source: company annual report)

(iv) **Can the board elaborate further on the progress made in board diversity and share any plans to enhance its diversity further? What is the timeframe set for achieving the diversity objectives?**

(v) **Has the NC engaged professional search firms to ensure a broader range of candidates for new independent directors?**

Company's Response:

Q3(i) The NC has consistently reviewed the skills and competencies of the Board members as explained in our Corporate Governance Report section of our Annual Report. The NC does not constrain themselves in selection but seek a balance of skills, knowledge and experience.

Q3(ii) The Company has shortlisted a replacement candidate and will make the necessary announcement at the appropriate time.

Q3(iii) Refer to Q3(i). A broad range of skillsets and other factors are applicable in the selection of an independent director and not just specific industry experience. Of all the skillsets, arguably industry experience is the least required given that our management team has deep experience in the industries that we are in.

Q3(iv) In line with the Tripartite Guidelines on Fair Employment Practices, we do not discriminate on grounds of age, gender and race. We are an equal opportunity employer and this applies to Board selection as well because the tone must be set from the top.

Q3(v) The engagement of professional search firms involves incurring additional costs. Accordingly, the preference is to seek recommendations from the current Board members and the professional advisers that the Company works with as a first step. The NC will consider such option if there are no suitable recommended candidates.