GKE CORPORATION

(Incorporated in the Republic of Singapore | Company Reg. No.: 200001941G)
39 Benoi Road Level 6 Singapore 627725
T: (65) 6261-7770 | F: (65) 6266-2557 | W: **www.gke.com.sg**
SGX stock code: **595**

GKE achieves higher gross profit and gross margin for 1H FY23

- **Stronger contribution from the warehousing & logistics segment with new contributions from Fair Chem Industries and the newly converted Dangerous Goods ("DG") yards**
- **Group is cautiously optimistic about near-term prospects in anticipation of gradual recovery for its infrastructural materials & services segment in China, as the Chinese government eased stringent precautionary measures against Covid-19 and reopened the borders**

Key Financial Highlights:

FYE 31 May (S$' Million)	1H FY23	1H FY22	YoY Change	FY22
Revenue	54.70	54.98	- 0.5%	104.80
Gross profit	15.69	13.72	+ 14.4%	26.28
Gross profit margin	28.7%	24.9%	+ 3.8 pp	25.1%
Profit before tax	2.21	5.66	- 61.0%	8.52
Net profit (1)	1.00	3.81	- 73.8%	4.70
EPS (2) (cents)	0.13	0.49	- 73.5%	0.61

* 1H denotes six months ended 30 November and 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 1H FY23, 1H FY22, and FY22.

For Immediate Release

SINGAPORE, 12 January 2023 – **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 agriculture business in Singapore, registered a 73.8% decline in net profit to S$1.0 million against a 0.5% decline in revenue to S$54.7 million for the six months ended 30 November 2022 ("**1H FY23**"). The significant decrease in net profit was primarily due to (i) the lower contribution from the Group's infrastructural materials and services segment amidst China's "zero-Covid" policy, where the lockdown of cities brought business activities to a standstill, (ii) a reversal of foreign exchange gains in 1H FY22 to foreign exchange losses in 1H FY23, and (iii) the increase in the allowance of expected credit loss for receivables in its China operations.

Mr. Neo Cheow Hui (梁鹏飞), CEO and Executive Director of GKE said, "**While the lockdown of cities in China last year had adversely impacted our infrastructural materials and services segment, we are thankful that our operations in Singapore, where we have reinforced our fundamentals towards higher value-add solutions and services to command higher margin, cushioned the adverse result.**

We will continue to work towards striking a balance and building a sound foundation for the two diverse business segments in two different countries. With the Chinese government easing its precautionary measures against Covid-19 and reopening its borders from 8 January 2023, we are cautiously optimistic that the financial performance of our infrastructural materials and services segment in China will also improve gradually as business activities resume. Nevertheless, we will continue to drive growth within the new additions – dangerous goods, pharmaceutical products, and chemicals, in our warehousing and logistics segment to complement the anticipated recovery from our China operations."

Financial Review

For the financial period under review, the Group's Singapore operations continued its growth momentum in its core warehousing and logistics segment, which saw a 19.8% year-on-year increase from S$36.1 million in 1H FY22 to S$43.3 million in 1H FY23. The increase was due to higher revenue contribution in warehousing storage, project logistics, port operations, and the inclusion of Fair Chem Industries Pte Ltd ("**FCI**"), the newly acquired subsidiary with toll blending and specialty chemical manufacturing capabilities in Singapore, which buffered the adverse performance of the Group's infrastructural materials and services segment in China. Amid the lockdown and stringent precautionary measures in compliance with the "zero-Covid" policy, the infrastructural materials and services segment recorded lower volume and average selling price of ready-mix concrete ("**RMC**") in 1H FY23, resulting in a 40.4% decline in revenue from S$18.8 million in 1H FY22 to S$11.2 million in 1H FY23.

Revenue analysis by business segments

	1H FY23 (S$'000)	1H FY22 (S$'000)	YoY Change
Warehousing & logistics	43,286	36,118	+ 19.8%
Strategic Investments:			
Infrastructural materials & services	11,189	18,773	- 40.4%
Agriculture (indoor vegetable farm)	226	93	> 100.0%
Total	**54,701**	**54,984**	**- 0.5%**

The Group's gross profit increased by 14.4% from S$13.7 million in 1H FY22 to S$15.7 million in 1H FY23. The increase is in tandem with the higher revenue contribution from the warehousing and logistics segment in Singapore, but undermined by the increase in operating costs in Singapore as well as the lower cost of sales in line with lower revenue contribution from the infrastructural materials and services segment in China. Nevertheless, higher utilisation of warehousing space, higher contribution from port operations, as well as the contribution from FCI bolstered the gross margin from 24.9% in 1H FY22 to 28.7% in 1H FY23.

Other income decreased by 49.6% from S$1.1 million in 1H FY22 to S$0.5 million in 1H FY23, 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 44.2% from S$8.4 million in 1H FY22 to S$12.1 million in 1H FY23. The increase was mainly due to (i) an increase in the allowance of expected credit loss of more than S$1.0 million for receivables in China, (ii) the inclusion of administrative expenses from FCI of S$1.3 million, (iii) a marginal increase of S$0.1 million incurred on marketing activities, (iv) higher staff costs and utilities expenses, and (v) the increase in amortisation of intangible asset of S$0.1 million (customer relationship).

Other expenses of S$0.5 million in 1H FY23 was mainly due to net foreign exchange loss, a reversal from other credit of S$0.6 million in 1H FY22 which was a net foreign exchange gain.

Finance costs increased by 2.8% from S$1.46 million in 1H FY22 to S$1.5 million in 1H FY23 due to the increase in interest rate on bank borrowings.

Share of result from associate saw construction material waste recycling plant, Cenxi Haoyi Recycling Co., Ltd, contributed a gain of S$63,000 in 1H FY23, a decrease from S$118,000 in 1H FY22, on the back of the slowdown in activities amid the lockdowns in China during the financial period under review.

After taking into account tax expenses, the Group's net profit attributable to shareholders declined by 73.8% year-on-year from S$3.8 million in 1H FY22 to S$1.0 million in 1H FY23. As at 30 November 2022, the Group's net asset value per share was 11.60 Singapore cents, a decrease from 11.74 Singapore cents as at 31 May 2022 due mainly to the dividend payment of S$1.6 million in the financial period under review.

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This media release is to be read in conjunction with the Company's announcement posted on the SGX website on 12 January 2023.

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 agricultural business in Singapore. The business activities of the Group are 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, initially focusing on infrastructural materials and services business in China have diversified to include agriculture 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 extended its operations to (i) construction material waste recycling in Cenxi City, and (ii) 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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OCTAVE

Investor relations contact:

Rosalina Soh 苏沛熙
Office : (65) 6955 7767
Mobile : (65) 9677 6683
Email : rosalina@octavecomms.com

*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.

The details of the contact person for the Sponsor are:

Name: Mr Lay Shi Wei (Registered Professional, RHT Capital Pte. Ltd.)
Address: 36 Robinson Road, #10-06 City House, Singapore 068877
Email: sponsor@rhtgoc.com