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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: GKE Corporation Limited

Security: GKE Corporation Limited

Meeting details:

Date: 28 September 2018

Time: 10.00 a.m.

Venue: 3 9 Benoi Road #06-01 Singapore 627725

Company Description

GKE Corporation Limited, an investment holding company, provides logistic services in Singapore and the People's Republic of China. Its Third Party Logistics segment offers various logistics services, including non-ferrous metal storage, general warehousing, containers trucking, conventional transportation, project logistics, and international multimodal sea and air freight forwarding services. The company's Shipping Logistics segment is involved in building and chartering of vessels. Its Infrastructural Logistics segment produces and sells environmental friendly lightweight bricks, building materials, and cement products. The company was formerly known as Van der Horst Energy Limited and changed its name to GKE Corporation Limited in April 2012. GKE Corporation Limited was founded in 1995 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=595)

1. The group's revenue increased from \$56.1 million in 2017 to \$71.5 million in 2018, an increase of 27%. Gross profit increased at a slower pace of 12% and gross profit margin dipped from 20.3% to 17.9% in FY2018, mainly due to lower margin from the warehousing & logistics segment in Singapore.

Losses attributable to owners of the company (from continuing operations), net of tax increased from \$(2.23) million to \$(3.15) million over the same period.

Even though segment revenue increased by 11% to \$47.9 million, segment profit of \$1.58 million in FY2017 from the "Third party logistics" segment turned into a segment loss of \$(1.17) million in FY2018 with Marquis Services contributing \$1.3 million in profit after tax in 2018.

The other operating subsidiaries in the segment are:

- GKE Warehousing & Logistics Pte Ltd
- GKE Freight Pte Ltd
- GKE Express Logistics Pte Ltd
- GKE Metal Logistics Pte Ltd
- TNS Ocean Lines (S) Pte Ltd
- G-Chem Logistics Pte Ltd

- (i) Would management provide shareholders with better clarity on the breakdown of revenue and profit for the different services in its Warehousing and Logistics segment?**
- (ii) While Marquis generated \$1.3 million in profit, the rest of the segment lost an approximate \$(2.5) million in the year. What are the specific challenges that led to the segment to reverse into a loss of \$(1.17) million?**
- (iii) Can the company also disclose the occupancy or the utilisation rates of its warehousing and logistics assets (such as storage space, vehicles and vessels)?**
- (iv) What are the pro-active measures by management to control costs and to increase the gross profit margin?**

2. The "Valuation of leasehold land, buildings and improvements" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 45). 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.

According to the group's accounting policy, leasehold land, buildings and improvements are measured at fair value less accumulated depreciation. The fair value of the group's properties amounted to \$119,100,000 as at 31 May 2018. In particular, the construction at 39 Benoi Road was completed in the year and the property has been valued at \$73.0 million. The revaluation gain recognised in the year was \$11.6 million. The new warehouse

cum office at 39 Benoi Road accounts for nearly 40% of the group's total asset and more than 80% of the group's total equity of \$88.3 million.

(i) What is the current status of the newly completed property? How much of the space is earmarked for the group's own operations?

In Note 30, it is shown that the valuation of \$73.0 million was based on the comparative method. The key unobservable input used was the adjusted gross floor area price per square feet, which ranged between \$113 and \$199.

(ii) Would the company consider posting the valuation report (dated 28 November 2017) by the independent valuer on SGXNet?

(iii) Is the property considered a strategic asset that is critical to the group's core business? Has the board evaluated how it could monetise the asset to realise its value?

3. The company appointed Ms. Qian Wen Hua as executive director on 1 March 2015, Mr. Andrew Chua as independent director on 30 September 2015 and Mr. Ho Ying Ming as independent director on 30 September 2015. In the company's announcements related to the appointment of the above-mentioned directors, the directors have indicated their intent to undergo training to familiarise themselves with the roles and responsibilities of a director of a listed company.

(i) Can the company disclose the training/courses and seminars attended by the directors since 2015 to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore?

[The following questions relating to Mr. Er Kwong Wah were sent to the company following the review of the annual report for the financial year ended 31 May 2017. As the company has not clarified directly nor address the issues in the 2018 Annual report, the questions are updated and reposted.]

Mr. Er Kwong Wah has been appointed as the lead independent director of the company on 4 August 2016. Mr. Er has served on the board since 16 April 2007, a tenure exceeding 11 years and 5 months.

As shown in the annual report, he also holds six other directorships in other listed companies, as follows:

- COSCO Shipping International (Singapore) Co., Ltd.
- Ecowise Holdings Limited
- China Sky Chemical Fibre Co., Ltd
- CFM Holdings Ltd
- China Environment Ltd.
- The Place Holdings Limited



Mr. Er was also appointed to the board of Chaswood Resources Holdings Ltd on 20 September 2018.

Currently, Mr. Er sits on the board of **eight** listed companies. In the company, Mr. Er serves as a board member, chairman of audit committee, chairman of remuneration committee and member of nominating committee of the company and as the lead independent director

- (ii) Can Mr. Er help shareholders understand how he is able to devote sufficient time, energy and attention to the matters of the company?**
- (iii) Given that Mr. Er now sits on the board of eight listed companies, along with various board committee appointments in these companies, would the nominating committee consider it opportune to set a limit to the maximum number of listed board representation a director may hold?**
- (iv) Would Mr. Er be reconsidering his other commitments so as to be able to devote more time and attention to the group especially as the group's profit has been on a steep downward trend and has slipped into a loss of \$(10.6) million for FY2018? Even if the disposal losses were excluded, the loss from continuing operations, net of tax, has increased from \$(2.23) million in 2017 to \$(3.15) million in 2018.**

A copy of the questions for the Annual Report for the financial year ended 31 May 2017 and 31 May 2016 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=

The company's response could be found here: -----