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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Board of Directors ("**Board**") of GKE Corporation Limited ("**Company**" or "**GKE**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement (the "**Previous Announcement**") for "Proposed Sale of 65% Interest in Van Der Horst Logistics Limited – Entry into Legally Binding Memorandum of Understanding" released on 9 September 2020. Terms used in announcement should bear the same meanings ascribed to them in the Previous Announcement when the context requires otherwise.

The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (each, a "**SGX Query**") as follows:

SGX Query 1

Noted that VDH has a paid-up capital of S$10.3m. When and how did GKE first acquire/invest in 65% stake in VDH, wherein the remaining 35% stake currently belongs to the Purchaser? What was the acquisition price during GKE's initial acquisition / investment?

Company's Response to SGX Query 1

The Company incorporated VDH together with the Purchaser in 2010 and the initial investment injected into VDH by each party was proportionate to their respective shareholdings in VDH, for which the total investment amount by the Company was approximately S$3.6 million. Over the years, each of the Company and Purchaser injected additional investment in VDH, in proportion to their shareholdings in VDH, at various times over the course of VDH's operations.

SGX Query 2(a)

It was disclosed under rationale of the proposed sale that the Group no longer requires the use of the warehousing services provided by VDH and VDH Shanghai. In FY2020 annual report, it was disclosed that the business activities of the Group are classified into (i) warehousing and logistics and (ii) strategic investments.

Please explain and elaborate on rationale and reasons for the sale and for not requiring the use of the warehousing services provided by VDH and VDH Shanghai

Company's Response to SGX Query 2(a)

The core logistics operations of the Group remain in Singapore. After the divestment of GKE Metal Pte Ltd ("**GKE Metal**") in 2018, the Group has no other operations in Shanghai, China, except for VDH and VDH Shanghai. The Group had decided to divest VDH due to: (i) VDH being loss making; (ii) the competitive nature of such business; and (iii) immaterial synergies between such business and the core logistics operations of the Group in Singapore.

SGX Query 2(b)

How would the disposal impact the Group's operations?

Company's Response to SGX Query 2(b)

The disposal will not have any material adverse impact on the Group's operations as the VDH was the only remaining logistics business of the Group in Shanghai, China and has been loss making.

SGX Query 3

Please disclose the considerations, factors, market comparisons that led to the determination of Sale Consideration of S$11.7 million. Why did the Company not perform any valuation?

Company's Response to SGX Query 3

The Company did not engage an external party to perform a valuation as the transaction was clearly in the best interest of the Company so undertaking such a valuation would only represent an unnecessary cost. The Board has made its assessment of the Sale Consideration taking into account factors including: (i) the book value of VDH and VDH Shanghai; (ii) the loss making position of VDH and VDH Shanghai; and (iii) that it would be in the best interests of the Group to exit a loss making business and focus its resources on its core and profitable businesses. The Proposed Sale was henceforth the most realistically practicable method of divesting VDH. Furthermore, the Sale Consideration would have a positive impact on NTA per share and earnings per share for the Company. The Sale Consideration was agreed on a willing-buyer willing-seller basis. In addition, GKE has explored the possible sale of the VDH with a number of brokers both in Singapore and Shanghai, China without success as there were no offers nor indicative pricing for VDH provided to the Group.

SGX Query 4(a)

Despite the disposal, the Company granted the Purchaser and GKE Metal the perpetual right to use the name "GKE Metal" without any charges. We note that the Company had disposed its entire 49% stake in GKE Metal to Hung Lin Holding Ltd in Aug 2018.

What is the relationship between Hung Lin Holding Ltd and the current Purchaser of VDH, Hung King Holdings Limited?

Company's Response to SGX Query 4(a)

Based on the information available to the Group, Hung Lin Holding Ltd and Hung King Holdings Limited have the same shareholders and directors.

SGX Query 4(b)

What is the Board's rationale for doing so? Has the board considered the risk of association with the name "GKE Metal" given that VDH and GKE Metal will/are no longer be part of Group?

Company's Response to SGX Query 4(b)

The right to use the "GKE Metal" name was a key term requested by the Purchaser as it is concerned that there might be future dispute in relation to the use of the name. The Board has considered the risk of association with the "GKE Metal" name and considered it to be acceptable as the Purchaser's business focus solely on LME traded metals. This is not a business in which the Group engaged outside of VDH and the Group currently has no intention to enter into such business after the Proposed Sale.

SGX Query 4(c)

Is there value to the use of the name "GKE Metal"? How did the Board determine the value as part of the computation of Sale Consideration?

Company's Response to SGX Query 4(c)

The Group has disposed GKE Metal in 2018 and, hence, there is no associated value in the "GKE Metal" name to Group in the financial statements of the Group.

SGX Query 4(d)

Given that the use of name "GKE Metal" is also granted to disposed entity, GKE Metal Logistics Pte Ltd, should the two disposals be aggregated pursuant to Catalist Rule 1005?

Company's Response to SGX Query 4

These transactions should not be aggregated as the disposal of GKE Metal was completed 2 years ago and the current transaction was not contemplated at that time.

BY ORDER OF THE BOARD

Neo Cheow Hui
Chief Executive Officer and Executive Director
15 September 2020

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*This announcement has been prepared by the Company and its contents have been 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 are:

Name: Mr. Lay Shi Wei (Registered Professional, RHT Capital Pte. Ltd.)
Address: 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619,
Tel: 6381 6966