

**PROPOSED DISPOSAL OF PROPOERTY AT 30 PIONEER ROAD**

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*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as in the Company's announcement dated 14 July 2015 (the "Announcement").*

**1. INTRODUCTION**

Further to the Announcement, the Board of Directors (the "**Board**") of GKE Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that GKE Warehousing & Logistics Pte Ltd (the "**Vendor**"), a subsidiary of the Company, has on 28 August 2015 entered into a put and call option agreement (the "**Option Agreement**") with The Trust Company (Asia) Limited (the "**Purchaser**"), in its capacity as trustee of Viva Industrial Real Estate Investment Trust (the "**REIT**"), relating to the sale and purchase (the "**Proposed Disposal**") of a property (the "**Property**") together with the plant, mechanical and electrical equipment, fixtures and fittings which relate to the Property (the "**Mechanical and Electrical Equipment**").

**2. INFORMATION ON THE PROPERTY**

The Property, located at 30 Pioneer Road Singapore 628502, and the Mechanical and Electrical Equipment are currently used by the Vendor as offices and warehousing facilities in connection with its general logistics business.

**3. DETAILS OF THE PROPOSED DISPOSAL**

(a) Purchase Price and Valuation

The purchase price of the Property and the Mechanical and Electrical Equipment is S\$45,000,000 (the "**Purchase Price**"), payable by the Purchaser on the completion of the sale and purchase of the Property and the Mechanical and Electrical Equipment ("**Completion**"). The Purchase Price, which excludes an estimated upfront land premium for the balance of the Property's initial 30-year lease term of S\$6,100,000 (subject to final confirmation by JTC Corporation (the "**JTC**")), was arrived at on a willing-buyer and willing-seller basis, taking into account the independent valuation by Colliers International Consultancy & Valuation (Singapore) Pte Ltd obtained by the Purchaser. If required by the JTC, the upfront land premium will be paid by the Purchaser to the JTC.

(b) Put and Call Option

- (i) On the execution of the Option Agreement, the Purchaser shall pay the option fee of S\$1 (the "**Option Fee**").
- (ii) The Vendor grants to the Purchaser an option to accept the Vendor's offer to sell the Property and the Mechanical and Electrical Equipment at the Purchase Price on the terms and conditions of the Purchase Agreement (as defined below) (the "**Purchase Conditions**") (the "**Call Option**"). The Purchaser grants to the Vendor an option to accept the Purchaser's offer to purchase the Property and the Mechanical and Electrical Equipment at the Purchase Price on the Purchase Conditions (the "**Put Option**") (the "Call Option" and the "Put Option" shall collectively be, the "**Option**").

- (iii) The Option could be exercised as follows:
  - (1) in the case of the Purchaser, delivering to the Vendor a call option exercise notice (the **"Call Option Exercise Notice"**) during the period of 14 days commencing the day after the date the Vendor gives to the Purchaser a fulfilment notice informing the Purchaser that the last of the Relevant Approvals (as defined below) has been obtained (the **"Call Option Exercise Period"**); and
  - (2) in the case of the Vendor, delivering to the Purchase a put option exercise notice (the **"Put Option Exercise Notice"**) during the period of 14 days commencing on the day immediately after the expiry of the Call Option Exercise Period.
- (iv) Upon delivery of the Call Option Exercise Notice or the Put Option Exercise Notice, the Parties shall be deemed to have entered into a binding contract for the sale and purchase of the Property and the Mechanical and Electrical Equipment (the **"Purchase Agreement"**).

(c) Relevant Approvals and Financing

The rights of each Party to issue the Call Option Exercise Notice, or as the case may be, the Put Option Exercise Notice are conditional upon the following:

- (i) the Company having obtained not later than 10 December 2015 (the **"Target Date"**) the approval of its shareholders for the Proposed Disposal (the **"Shareholders' Approval"**), unless the Shareholders' approval is waived by the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**) (the **"SGX Waiver"**);
- (ii) the Vendor having obtained by the Target Date the approval of the JTC to the extension of the expiry date of the leasehold estate of the adjoining property at 39 Benoi Road Singapore 627725 (the **"Adjoining Property"**) together with the building erected thereon to 15 February 2037 (the **"Lease Extension Approval"**);
- (iii) the Vendor having obtained by the Target Date the approval of the JTC (the **"JTC Approval"**) to:
  - (1) the sale of the Property; and
  - (2) the lease of the Property on Completion by the Purchaser or such other trustee of the REIT (as landlord) to the Vendor (as tenant);
- (iv) the Purchaser having obtained funds to finance the acquisition of the Property (the **"Financing Condition"**);
- (v) if the manager of the REIT (the **"REIT Manager"**) launches any equity fund raising exercises involving the issuance of new stapled securities in Viva Industrial Trust (**"Stapled Securities"**), no stop order having been issued by the Monetary Authority of Singapore or any judicial or regulatory body in relation to such exercises; and
- (vi) if the REIT Manager launches any equity fund raising exercises involving the issuance of new Stapled Securities, the in-principle approval of the SGX-ST for the listing and quotation of the new Stapled Securities not having been revoked or withdrawn.

The Shareholders' Approval, the Lease Extension Approval and the JTC Approval shall collectively be known as the Relevant Approvals.

(d) Due Diligence

- (i) The Purchaser shall conduct due diligence on the Property, the building erected on the Property and the Mechanical and Electrical Equipment and the financial condition of the Vendor on or before the date of the Option Agreement.
- (ii) The Purchaser shall be entitled to update the above due diligence (the **"Update Investigations"**).

(e) Rescission

- (i) The Option Agreement can be rescinded:
  - (1) by the Vendor, if the Shareholders' Approval or the SGX Waiver, or the Lease Extension Approval is not obtained by the Target Date;
  - (2) by the Purchaser if:
    - (I) the Financing Condition is not met by the Target Date;
    - (II) the Update Investigations reveal substantial and material adverse deviation from the results of the due diligence performed on or before the date of the Option Agreement; or
    - (III) if prior to the exercise of the Option, there is material damage to the Property and/or the Mechanical and Electrical Equipment. If such damage is not material, the Vendor shall at its own cost and expense repair the damage.
  - (3) by the Vendor or the Purchaser, if the JTC Approvals are not obtained by the Target Date; or
- (ii) If either Party rescinds the Option Agreement, the Option Fee shall be refunded to the Purchaser without interest.

(f) Rectification Works and Retention Sum

- (i) The Vendor shall carry out all repair and rectification works in respect of the defects set out in the list of defects in Schedule 5 to the Option Agreement (the **"Rectification Works"**).
- (ii) If the Vendor is unable to complete any Rectification Works by the date of Completion, the Purchaser can withhold from the Purchase Price a sum equivalent to the aggregate costs of such uncompleted Rectification Works (the **"Retention Sum"**).
- (iii) If any Rectification Works remain uncompleted 3 months after the date of Completion, the Purchaser can carry out the Rectification Works and apply the Retention Sum towards payment of the costs and expenses for completing such works. If the costs and expenses exceed the Retention Sum, the Vendor has to pay the Purchaser the excess on demand. If the Retention Sum is more than the costs of completing such works, the Purchaser will refund the balance to the Vendor.

#### 4. CERTAIN TERMS OF THE MASTER LEASE AGREEMENT

On Completion, the Vendor and the Purchaser will enter into a master lease agreement (the **"Master Lease Agreement"**) pursuant to which the Property will be leased back to the Vendor for a term of 5 years from Completion (the **"Term"**) with a rental escalation of 5% in the 3rd and 5th year of the Term as shown in the table below:

Year	Rent (S\$ Per Annum)	Rent (S\$ Per Month)
First Year	4,360,000.00	363,333.33
Second Year	4,360,000.00	363,333.33
Third Year	4,578,000.00	381,500.00
Fourth Year	4,578,000.00	381,500.00
Fifth Year	4,806,900.00	400,575.00

Pursuant to the Master Lease Agreement, for the duration of each year of the Term, the Vendor will pay to and maintain with the Purchaser a security deposit for an amount which is 12 times the monthly rent for that year. This security deposit may be reduced in subsequent years of the Term if the financials of the Vendor in the preceding year fulfil the Purchaser's tenant credit control test criteria, provided always that the security deposit in any year shall not be less than 6 times the monthly rent for that year.

## 5. CERTAIN TERMS OF THE PURCHASE CONDITIONS

### (a) Representations and Warranties

The Purchase Conditions contain limited representations and warranties by the Vendor, including those relating to compliance with laws, litigation, title, property matters (such as structural defects), environmental laws and property tax.

### (b) Construction of Ramp and Link

Subject to certain conditions, the Vendor may redevelop the Adjoining Property. As part of the redevelopment, the Vendor shall construct a 40-footer container ramp (the "**Ramp**") at the Adjoining Property. The Purchaser is entitled to construct a vehicular link (the "**Link**") to connect the Ramp to the Property so as to enable ingress and egress of 40-footer container trucks to and from the Property via the Ramp and Link.

The Vendor shall be responsible for the cost of carrying out works relating to the construction of the Ramp (the "**Ramp Works**") and the Purchaser shall be responsible for the cost of carrying out works relating to the construction of the Link (the "**Link Works**").

Upon completion of the Ramp Works and Links Works, the Vendor shall grant to the Purchaser access rights over parts of the Adjoining Property and the Ramp, in consideration of which, the Purchaser shall pay the Vendor an upfront sum of S\$3,000,000. The Purchaser also has to pay a monthly maintenance fee to maintain, upkeep and repair the Ramp which will be computed based on 1/3 of the projected maintenance cost (on a reimbursement basis and without additional cost).

## 6. NET PROFIT AND GAIN

Based on the management accounts of the Vendor, the net profit attributable to the Property and the Mechanical and Electrical Equipment by the Company for the 12-month period ended 31 May 2015 was S\$863,000. The gain on the Proposed Disposal is S\$12,726,000 (based on the latest net book value of the Property as at July 2015).

## 7. RATIONALE FOR THE PROPOSED DISPOSAL

The Group has been exploring various expansion opportunities. The Proposed Disposal will unlock cash for the Group to partake in these opportunities.

## 8. PROPOSED USE OF PROCEEDS

The Group will utilise the net proceeds of the Proposed Disposal to (i) expand the Adjoining Property; and (ii) build up its cash reserves to explore strategic opportunities to grow its business further. The excess of the proceeds over July 2015's net book value of the Property and the Mechanical and Electrical Equipment is S\$12,726,000.

## 9. FINANCIAL EFFECT

For illustrative purposes only, based on the latest audited consolidated financial statements of the Group for the financial year ended 31 May 2015, the financial effects of the Proposed Disposal are set out below:

	Before the Proposed Disposal	After the Proposed Disposal
Net Tangible Assets ("NTA") per Share (cents)	11.50 <sup>1</sup>	13.45 <sup>2</sup>
Earnings/(Loss) Per Share (cents)	-0.78 <sup>3</sup>	1.77 <sup>4</sup>

### Notes:

- (1) This is based on the NTA of S\$ 73,724,000 and 641,125,290 shares.
- (2) This is based on the NTA of S\$ 86,203,000 and 641,125,290 shares.
- (3) This is based on the loss of S\$ 3,821,000 attributable to the shareholders of the Company and 489,963,030 weighted average number of shares.
- (4) This is based on the profit of S\$8,658,000 attributable to the shareholders of the Company and 489,963,030 weighted average number of shares.

## 10. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Listing Rule	Content	Relative Figure
1006(a)	Net Asset Value Test	The net asset value of the Property and the Mechanical and Electrical Equipment as at 31 May 2015 is S\$32,071,000 and this represents approximately 39.04% of the Group's net asset value of S\$82,139,000 as at 31 May 2015.
1006(b)	Profits Test	The net profit attributable to the Property and the Mechanical and Electrical Equipment as at 31 May 2015 is S\$863,000 and this represents approximately -21.02% of the Group's net loss of S\$4,105,000 as at 31 May 2015.

Listing Rule	Content	Relative Figure
1006(c)	Market Capitalisation Test	The Purchase Price of S\$45,000,000 represents approximately 94.85% of the Company's current market capitalisation of approximately S\$47,443,271 as at S\$0.074 (being the market day preceding the date of the Option Agreement).
1006(d)	Equity Securities Test	Not applicable as no equity securities are to be issued as consideration for the Proposed Disposal.

Having regard to the above, the Proposed Disposal is a "Major Transaction" under Rule 1010 of the Catalist Rules of the SGX-ST Listing Manual (the "**Catalist Rules**") and is conditional upon approval by the shareholders of the Company pursuant to Rule 1014(2) of the Catalist Rules. Unless the SGX Waiver is obtained, a circular to the shareholders to seek their approval to the Proposed Disposal will be despatched in due course.

Upon the signing of the Option Agreement, the Vendor will deliver to the Purchaser deeds of undertaking executed by some of the shareholders warranting that these shareholders will vote in favour of the Proposed Disposal.

#### **11. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

#### **12. SERVICE CONTRACT**

No director will be appointed to the Company in connection with the Proposed Disposal.

#### **13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Option Agreement and the Master Lease Agreement are available for inspection at the Company's registered office at 30 Pioneer Road Singapore 628502 during normal business hours for a period of 3 months from the date of this Announcement.

BY ORDER OF THE BOARD

Neo Cheow Hui  
Chief Executive Officer and Executive Director  
28 August 2015

*This announcement has 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"). 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.*

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