

**PROPOSED SALE OF 65% INTEREST IN VAN DER HORST LOGISTICS LIMITED  
– ENTRY INTO LEGALLY BINDING MEMORANDUM OF UNDERSTANDING**

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**1. INTRODUCTION**

The Board of Directors (“**Board**”) of GKE Corporation Limited (“**Company**”) and, together with its subsidiaries, “**Group**”) wishes to announce that the Company has on 9 September 2020 entered into a legally binding memorandum of understanding (“**MOU**”) with Hung King Holdings Limited (“**Purchaser**”), for the sale of the Company’s entire shareholding in Van Der Horst Logistics Limited (“**VDH**”), being 32,500 shares representing 65% of the total share capital of VDH (“**Sale Shares**”), to the Purchaser (or such entity as may be nominated by the Purchaser in its discretion) (“**Proposed Sale**”).

Upon completion of the Proposed Sale (“**Completion**”), VDH and its wholly-owned subsidiary, Van Der Horst (Shanghai) Logistics Co., Ltd. (“**VDH Shanghai**”), shall cease to be subsidiaries of the Company.

The MOU is legally binding between the Parties in relation to the sale and purchase of the Sale Shares according to the terms contained in the MOU, which contains the principal terms of the Proposed Sale. The Parties have agreed to negotiate in good faith to enter into a definitive agreement for the Proposed Sale (“**Definitive SPA**”) within 6 months from the date of the MOU, failing which the MOU shall be null and void.

**2. INFORMATION ON VDH AND THE PURCHASER**

- 2.1 VDH was incorporated on 8 June 2010 in the British Virgin Islands with an issued and paid-up capital of S\$10,333,771.62, consisting of 50,000 ordinary shares. VDH is an investment holding company.
- 2.2 As at the date of this announcement, VDH has a wholly-owned subsidiary operating in the People’s Republic of China, VDH Shanghai, which is in the business of warehousing in the People’s Republic of China.
- 2.3 The Purchaser is a company incorporated in the British Virgin Islands and is an investment-holding company. The Purchaser is also the shareholder of the remaining 35% of VDH.

**3. SALE CONSIDERATION**

- 3.1 The aggregate sale consideration for the Sale Shares is RMB 58,500,000 (being approximately S\$11,702,000<sup>1</sup> (“**Sale Consideration**”), to be satisfied in cash by the Purchaser as follows: (i) 20% of the Sale Consideration to be paid on Completion; (ii) 30% of the Sale Consideration to be paid within: (a) 3 months from Completion; or (b) 5 business days from the date the Purchaser receives the full amount of the Cash Pledge (as defined below) returned by the Vendor, whichever is later; and (iii) the balance 50% of the Sale Consideration less the Deposit (as defined below) (“**Deferred Consideration**”) to be paid within one (1) year of the date of Completion.

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<sup>1</sup> Based on an exchange rate of S\$1: RMB 4.999 as quoted by Oanda.com on 8 September 2020 (being the last market day immediately preceding the date of the MOU)

- 3.2 The Sale Consideration was determined by the parties based on a willing-buyer-willing-seller basis, taking into consideration, the revenues and loss-making position of VDH and the net tangible asset value of VDH, as well as the total amounts owing by VDH to the Group as shareholder loans.

#### **4. RATIONALE FOR THE PROPOSED SALE**

- 4.1 In view that VDH is loss-making and the Group no longer requires the use of the warehousing services provided by VDH and VDH Shanghai, the Company wishes to divest its equity interest in VDH and VDH Shanghai. The Sale Consideration from the divestment of VDH will represent a net gain to the Company and the divestment will also enable the Company to focus on its other businesses.
- 4.2 In light of the above, the Board is of the view that is in the best interest of the Company to sell the Sale Shares.

#### **5. MATERIAL TERMS OF MOU**

##### **5.1 Conditions Precedent**

The completion of the sale and purchase of the Sale Shares shall be subject to conditions precedent to be specified in the Definitive SPA.

##### **5.2 Deposit**

The Purchaser has paid a deposit of an amount equivalent to 2% of the Sale Consideration in cash (the “**Deposit**”) to the Company upon the signing of the MOU. If Completion takes place in accordance with the terms of the Definitive SPA, the Deposit shall be set off against the balance Sale Consideration payable by the Purchaser.

If the Company elects not to proceed with Completion without reasonable cause after the Definitive SPA has been entered into, an amount equivalent to twice the amount of Deposit shall be refunded to the Purchaser, which shall include the Deposit paid by the Purchaser to the Company.

If the Purchaser elects not to proceed with Completion without reasonable cause after the Definitive SPA has been entered into, the Company is entitled to forfeit and retain the Deposit entirely.

##### **5.3 Security**

The Purchaser shall provide a cash pledge in favour of the Company by remitting cash in an amount equivalent to 30% of the Sale Consideration (“**Cash Pledge**”) to the bank account within the People’s Republic of China as designated by the Company on Completion. The Company shall return the Cash Pledge to the Purchaser upon receipt of the copy of the approval for foreign exchange remittance issued by the bank from the Purchaser.

The sole shareholder of the Purchaser, being Li Jing (“**Guarantor**”), shall execute a promissory note in favour of the Company in such form as agreed by the Company and the Purchaser under the terms of the Definitive SPA.

As security for the payment of the Deferred Consideration within 1 year of Completion, the Purchaser shall procure either a bank guarantee issued by such commercial bank mutually agreed by both the Company and the Purchaser for such amount, or a personal guarantee issued by the Guarantor in favour of the Company on Completion.

## 5.4 Use of Name

The Company has executed a deed of license granting the perpetual right to use the name “GKE Metal” to the Purchaser and/or GKE Metal Logistics Pte. Ltd. without any charges.

## 5.5 Payment of Expenses

Purchaser has agreed to bear all expenses incurred by VDH from 1 August 2019 up to the last day of the month immediately prior to Completion, as stated in the consolidated unaudited management accounts of VDH (“**Aggregate Expenses**”), provided that any interests in shareholder loans or depreciation in warehouse and equipment or penalties for early repayment of bank loans shall not be included. In connection with the foregoing, the Purchaser shall pay an amount representing 65% of the Aggregate Expenses to the Company on the date of payment of the second tranche of the Sale Consideration.

## 6. GAIN ON THE PROPOSED SALE AND USE OF PROCEEDS

6.1 Based on the unaudited consolidated financial statements of VDH as at 31 May 2020, the net book value represented by the Sale Shares was S\$5,980,000. The Company expects to recognise a net gain before tax of approximately S\$1,542,000 from the Proposed Sale, subject to any tax and accounting adjustments which may be necessary upon the finalisation of the transaction. No valuation was commissioned in respect of the Sale Shares.

6.2 The Company intends to utilise the Sale Consideration to finance its working capital requirements.

## 7. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

7.1 The relative figures for the Proposed Sale computed on the bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**Catalist Rules**”) are set out below:

Listing Rule	Content	Relative Figure
1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	The unaudited net asset value of the Sale Shares of S\$5,980,000 (including amount of shareholders' loans to be waived) as at 31 May 2020 represents approximately 7.79% of the audited net asset value of the Group of S\$76,760,000 as at 31 May 2020 <sup>(1)</sup> .
1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	The unaudited net loss attributable to the Sale Shares of approximately S\$578,000 represents approximately -12.31% of the Group's audited net profit of S\$4,696,000 attributable to shareholders of the Company for the full year ended 31 May 2020.
1006(c)	Aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	The aggregate value of the Sale Consideration, additional shareholders' loan contributions and waiver of shareholders' loans, being S\$10,679,000 represents approximately 18.08% of the Company's market capitalisation of approximately S\$59,065,000 as at 8 September 2020 (being the last market day preceding the date of the MOU) <sup>(2)</sup> .

Listing Rule	Content	Relative Figure
1006(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable.
1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not Applicable.

**Notes:**

- (1) Based on the total shareholders' loans as at 31 May 2020 owing by VDH, to be waived by the Company being S\$2,679,000.
- (2) Based on 777,174,090 issued ordinary shares (excluding treasury shares) in the capital of the Company as at 8 September 2020 (being the last market day preceding the date of the MOU).

7.2 As the relative figures under Rule 1006 exceed 5% but are less than 50%, the Proposed Sale constitutes a "Discloseable Transaction" under Rule 1010 of the Catalist Rules. However, in view that the relative figure under Rule 1006(b) is a negative figure, the Company, through its Sponsor, will consult the Exchange on the applicability of Chapter 10 of the Catalist Rules.

## 8. FINANCIAL EFFECTS OF THE PROPOSED SALE

The tables illustrating the effects of the Proposed Sale on: (i) net tangible asset ("**NTA**") per share of the Company (assuming the Proposed Sale had been completed at the end of the financial year ended 31 May 2020 ("**FY2020**"); and (ii) the earnings per share of the Company (assuming that the Proposed Sale had been effected at the beginning of FY2020) based on the audited consolidated financial statements of the Company for FY2020, are set out below:

(i) NTA per share

	NTA per share
Before the Proposed Sale	9.82 cents <sup>1</sup>
After the Proposed Sale	10.02 cents <sup>2</sup>

(ii) Earnings per share

	Earnings per share
Before the Proposed Sale	0.61 cents <sup>3</sup>
After the Proposed Sale	0.68 cents <sup>4</sup>

**Notes:**

- (1) This is based on the NTA of S\$76,760,000 and 781,472,590 shares in the capital of the Company.

- (2) This is based on the NTA of S\$78,283,000 and 781,472,590 shares in the capital of the Company.
- (3) This is based on the net profit attributable to shareholders of the Company of S\$4,696,000 and 773,928,000 weighted average number of shares in the capital of the Company.
- (4) This is based on the net profit attributable to shareholders of the Company of S\$5,274,000 and 773,928,000 weighted average number of shares in the capital of the Company.

## 9. FURTHER INFORMATION

### 9.1 Interest of Directors and Substantial Shareholders

Save for their respective shareholdings (if any) in the Company, none of the directors of the Company or substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Sale.

### 9.2 Directors' Service Contracts

There is no director proposed to be appointed to the Company in connection with the Proposed Sale.

## 10. DOCUMENTS FOR INSPECTION

A copy of the MOU is available for inspection at the registered office of the Company at 39 Benoi Road #06-01 Singapore 627725, during normal business hours for a period of three (3) months from the date of this announcement. Shareholders who wish to inspect the above documents shall make an appointment via the following email address [enquiry@gkegroup.com.sg](mailto:enquiry@gkegroup.com.sg), so that the relevant arrangements can be made in compliance with the Singapore Government's directives in relation to the ongoing COVID-19 outbreak.

## BY ORDER OF THE BOARD

Neo Cheow Hui  
Chief Executive Officer and Executive Director  
9 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. (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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