



GKE CORPORATION LIMITED

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

SALE AND PURCHASE AGREEMENT RELATING TO THE PURCHASE OF THE ENTIRE ISSUED SHARE CAPITAL OF FAIR CHEM INDUSTRIES PTE LTD

1. INTRODUCTION

The Board of Directors (the “**Board**”) of GKE Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company has on 21 December 2021, entered into a sale and purchase agreement (the “**SPA**”) with the shareholders of Fair Chem Industries Pte Ltd (“**Fair Chem**”), being Leow Kim Siang and Ng May Choo (collectively referred to as “**Vendors**”) for the acquisition of 2,620,000 ordinary shares in the capital of Fair Chem (the “**Sale Shares**”) (the “**Acquisition**”).

The Acquisition is a strategic step for the Group to deepen its core business as an integrated warehousing and logistics solutions provider by acquiring a provider of specialist services in tolling and specialty chemical manufacturing. This will augment the Group’s existing warehousing and logistics services provided to the chemical industry.

The Sale Shares represent the entire issued and paid-up shares in Fair Chem. Upon the completion of the Acquisition (“**Completion**”), the Company will hold 100% of the total issued and paid-up capital of Fair Chem. Completion shall take place two (2) month from the date of the SPA, or 3 business days from the fulfilment (or waiver) of all of the conditions precedent specified in the SPA, whichever is later (the “**Completion Date**”).

2. INFORMATION ON FAIR CHEM

Fair Chem is a company incorporated on 12 November 1986 with limited liability under the laws of Singapore and as on the date of this Announcement, has an issued and paid-up capital of S\$2,620,000 divided into 2,620,000 ordinary shares. Fair Chem is principally engaged in the business of tolling and contract manufacturing, particularly in specialty chemicals.

3 PURCHASE CONSIDERATION OF THE SALE SHARES

The aggregate purchase consideration for the Sale Shares is S\$12.5 million (the “**Purchase Price**”) to be satisfied in cash, subject to adjustment as set out in the SPA.

The Purchase Price was arrived on a “willing buyer-willing seller basis”, after taking into account, *inter alia*, the valuation of the property held by Fair Chem at 3 Tuas Avenue 11 Singapore 639069 with a leasehold interest of 17 years 8 months commencing on 1 September 2020 (the “**JTC Property**”) in which the market value is S\$12 million based on a valuation report dated 14 December 2021 commissioned by the Group, the future business potential and profitability and synergy with the current GKE’s business with Fair Chem.

The Purchase Price will be funded by the Group through internal resources and bank borrowings.

4 RATIONALE

The Board is of the view that the Acquisition presents an opportunity for the Company to expand on our current core logistics business in the chemical segment with the inclusion of the blending chemical capability.

The rationale for and benefits of the Acquisition are, *inter alia*, as follows:

- (i) the Acquisition will enable the Group to acquire deeper technical expertise in the tolling and specialty chemical manufacturing business, to capture a larger market segment of customers in the specialty chemical industry;
- (ii) the Acquisition presents an opportunity for the Group to have acquire a profitable company with a stable stream of income and profits, which has an existing property asset used for its operations; and
- (iii) there are various business opportunities that can be created by capitalising on the strengths of both the Group and Fair Chem, as Fair Chem is a good strategic fit to the Group's existing business as logistics provider in deepening the expertise and services in the specialty chemical industry through the Acquisition.

Given the foregoing, the Board believes that the Acquisition will enhance shareholder value for the Company.

4 VALUE OF THE SALE SHARES

Based on the audited financial statements of Fair Chem for financial year ended 31 December 2020, the net book value of the Sale Shares as at 31 December 2020, the net tangible asset value of the Sale Shares as at 31 December 2020 and the net profit attributable to the Sale Shares acquired by the Company for the financial year ended 31 December 2020 were S\$12,659,000, S\$12,659,000 and S\$1,678,000 respectively.

No valuation was commissioned by the Company in respect of the Sale Shares. Please refer to paragraph 3 above for the valuation of the JTC Property which is held by the Company.

5 MATERIAL TERMS OF THE ACQUISITION

5.1 Purchase Price

The Purchase Price is payable by the Company to the Vendors in the manner as follows:

- (i) S\$625,000 (being 5% of the Purchase Price), which has been paid to the Vendors prior to entry into the SPA;
- (ii) S\$625,000 (being 5% of the Purchase Price), which has been paid to the Vendors upon the signing of the SPA;
- (iii) S\$10,750,000 (being 86% of the Purchase Price), payable on Completion; and
- (iv) balance sum of S\$500,000 (being remaining 4% of Purchase Price) is payable to the Vendors' solicitors as stakeholders for a period of 12 months after the Completion (the "**Retention Period**") to meet outgoings and the Apportionment Amount.

5.2 Conditions Precedent

Completion is conditional upon the fulfilment and/or waiver of the following conditions precedent:

- (i) the Company being satisfied in its sole and absolute discretion with the results of the due diligence investigation (whether legal, financial, or tax) carried out by a professional service firm engaged by the Company in respect of Fair Chem, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of Fair Chem;
- (ii) all consents, approvals and authorisations of government or regulatory authorities required to be obtained by Fair Chem and/or the Vendors in connection with the transfer of the Sale Shares from the Vendors to the Company and the Company having obtained legal and beneficial title to the Sale Shares and if subject to conditions, on such conditions reasonably acceptable to the Company, prior to the Completion Date, and such consents and approvals remaining in full force and effect and not being revoked as at Completion; and
- (iii) the approval of the shareholders of the Company in an extraordinary general meeting (if required), and the approval and consents of any regulatory authorities (where necessary) in respect of the Acquisition.

5.3 Retention Sum

On Completion, the Company shall pay the balance of the Purchase Price to the Vendors, with an amount of S\$500,000 (being part of the Purchase Price) to the Vendors' solicitors as stakeholders (the "**Retention Sum**"). The Retention Sum shall be held by the Vendors' solicitors as stakeholders during the Retention Period, which is to be utilized towards payment of outstanding taxes or contributions owing by Fair Chem to any regulatory authority and any amount due to the Company based on the apportionment mechanism described in paragraph 5.4 below.

5.4 Declaration of Second Dividends

Fair Chem shall declare dividends of an amount acceptable to the Company on the date falling 3 business days immediately prior to the Completion Date, representing the estimated total accounts receivables of Fair Chem (after deducting estimated total accounts payables and tax) (the "**Second Dividends**").

Where the estimated accounts payables exceed estimated accounts receivables of Fair Chem, there will be no declaration of the Second Dividends.

5.5 Apportionment and Adjustment of Purchase Price

Each of the Company and the Vendors have agreed that:

- (i) all benefits, entitlements and liabilities arising in respect of Fair Chem from the period prior to and including the Completion Date shall belong and be borne by the Vendors; and
- (ii) all benefits, entitlements and liabilities arising in respect of Fair Chem from the period after Completion shall belong to and be borne by the Company.

In connection with the above, the Company shall prepare an apportionment statement stating necessary breakdown, details and supporting documents and calculation of the apportionment on a monthly basis for the first 4 months after Completion, with the penultimate apportionment statement after the 8th calendar month after Completion and the final apportionment statement after the expiry of the Retention Period.

In the event that the total amount payable by the Company to the Vendors exceeds the total amount payable by the Vendors to the Company as set out in the relevant apportionment statement, the Company shall pay the difference to the Vendors in cash (the "**Apportionment Amount**") within 8 business days of such apportionment statement.

In such scenario, the Apportionment Amount shall be applied towards payment of the Second Dividends by Fair Chem to the Vendors, and:

- (i) (where aggregate Apportionment Amounts exceed Second Dividends amount) the Purchase Price shall be adjusted by such difference; and
- (ii) (where aggregate Apportionment Amounts is less than the Second Dividends amount) the Vendors shall waive all of their rights and any entitlement to the balance Second Dividends amount and the aggregate Apportionment amounts.

In the event that the total amount payable by the Company to the Vendors is less than the total amount payable by the Vendors to the Purchaser as set out in the relevant apportionment statement, the Vendors shall pay the difference to the Company within 8 business days of such apportionment statement.

6 SOURCE OF FUNDS FOR THE ACQUISITION

The Purchase Consideration payable by the Company in cash will be funded through internal resources of the Group and bank borrowings.

7 RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

The relative figures for the Acquisition computed on the bases set out in Rule 1006 of the 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	Not applicable as this transaction is an acquisition and not a disposal of assets.
1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the group's net profits	14.6%. The audited net profit attributable to the Sale Shares purchased by the Company for the financial year ended 31 December 2020 is approximately S\$1,678,000 as compared to the Group's audited net profit of S\$11,530,000 for the financial year ended 31 May 2021.
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 Purchase Price of S\$12.5 million (subject to adjustment) for the Acquisition represents approximately 14.0% of the Company's market capitalisation of approximately S\$89,139,000 as at 20 December 2021 (being the last market day preceding the date of the SPA).
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,	Not Applicable

Listing Rule	Content	Relative Figure
	compared with the aggregate of the group's proved and probable reserves.	

Notes:

As the relative figures under Rules 1006(b) and 1006(c) exceeds 5% but is less than 20%, the Proposed Acquisition constitutes a "Discloseable Transaction" under Rule 1010 of the Catalyst Rules.

8 FINANCIAL EFFECTS OF THE ACQUISITION

The tables illustrating the effects of the Acquisition on the (i) net tangible asset ("NTA") per share of the Company (assuming the Acquisition had been completed at the beginning of the financial year ended 31 May 2021 ("FY2021"); and (ii) the earnings per share of the Company (assuming that the Acquisition had been effected at the beginning of 1 June 2020) based on the audited financial statements of the Company for FY2021, are set out below:

(i) NTA per share

	NTA per share
Before the Acquisition	10.77 cents ¹
After the Acquisition	10.99 cents ²

(ii) Earnings per share

	Earnings per share
Before the Acquisition	1.49 cents ³
After the Acquisition	1.70 cents ⁴

Notes:

- (1) This is based on the NTA of S\$83,501,000 and 775,124,090 shares.
- (2) This is based on the NTA of S\$85,179,000 and 775,124,090 shares.
- (3) This is based on the profit attributable to shareholders of S\$11,530,000 attributable to the shareholders of the Company and 776,340,000 weighted average number of shares.
- (4) This is based on the profit attributable to shareholders of S\$13,208,000 attributable to the shareholders of the Company and 776,340,000 weighted average number of shares.

9 INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their shareholding interest in the Company, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition. None of the directors or substantial shareholders of the Company is related to any the Vendors.

10 SERVICE CONTRACT

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

11 DOCUMENTS FOR INSPECTION

A copy of the SPA is available for inspection at the Company's registered office at 39 Benoi Road #06-01, Singapore 627725 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
21 December 2021

*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: 6 Raffles Quay, #24-02 Singapore 048580
Email: sponsor@rhtgoc.com*