

**SALE AND PURCHASE AGREEMENT RELATING TO THE PURCHASE OF THE ENTIRE
ISSUED AND PAID UP SHARE CAPITAL OF TNS OCEAN LINES (S) PTE LTD**

1. INTRODUCTION

- 1.1 Further to the announcement dated 29 July 2016, the Board of Directors (the “**Board**”) of GKE Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to update shareholders that the Company has on 28 October 2016, executed a definitive Sale and Purchase Agreement (the “**SPA**”) with Tan Nam Seng, Sern Chia Lung, Tan Meng Chuan, Tan Cheng Cheng and Spencer Tuppani (collectively known as the “**Vendors**”) for the purchase of 100% of the issued ordinary shares in the capital of TNS Ocean Lines (S) Pte Ltd (“**TNS**”) (the “**Sale Shares**”) (the “**Acquisition**”).
- 1.2 The Sale Shares represent 100% of the total issued and paid-up shares in TNS. Upon the completion of the Acquisition (“**Completion**”), the Company will hold the entire issued and paid-up capital of TNS. Completion shall take place on 30 November 2016 or such other date as may be agreed in writing between the parties (“**Completion Date**”).

2. INFORMATION ON TNS

TNS is a company incorporated on 2 February 1995 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\$2,496,000 divided into 2,416,000 ordinary shares. TNS is principally engaged in the business of the chartering of ships, barges and boats with crew and the provision of stevedoring and lighterage services.

3. PURCHASE CONSIDERATION OF THE SALE SHARES

- 3.1 The aggregate purchase consideration for the Sale Shares is S\$9 million (the “**Purchase Consideration**”), to be partly satisfied in cash of S\$2,700,000 and partly by 52,500,000 ordinary shares in the capital of the Company (the “**Consideration Shares**”). The Company will apply to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for a listing and quotation notice for the listing and quotation of 52,500,000 Consideration Shares to be issued by the Company.
- 3.2 The Consideration Shares shall be satisfied via an issue of new ordinary shares and/or a transfer of existing ordinary shares to be transferred out of treasury to the Vendors (and/or Spencer Tuppani, if nominated by the relevant Vendor) at the issue price or transfer price of S\$0.12 per share free from all claims and encumbrance and with all rights, dividends, benefits and entitlements now or hereafter attaching to the said shares on Completion. Completion is to take place after the fulfilment or waiver of the conditions precedent set out in the SPA (the “**Conditions Precedent**”).
- 3.3 The Consideration Shares shall be issued in reliance of the general mandate obtained from shareholders of the Company at the annual general meeting on 28 September 2016. The issue price per Consideration Share is at 29.0% premium to the volume weighted average price for trades of the Consideration Shares for the full market day preceding the date of the SPA. The percentage of the number of Consideration Shares to (i) the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company on the date of the SPA, and (ii) the total number of issued ordinary shares in the enlarged share capital of the Company after the completion of the Acquisition is approximately 8.3% and 7.7% respectively.
- 3.4 The portion of the Purchase Consideration to be satisfied in cash shall be payable by the Purchaser on the Completion Date.

- 3.5 The Purchase Consideration was arrived on a “willing buyer-willing seller basis”, after taking into account, *inter alia*, the future profitability of TNS in light of the profit guarantee referred to in paragraph 5.2 below, and the historical profitability and future business potential of TNS.

4. THE VALUE OF THE SALE SHARES

- 4.1 Based on the unaudited financial statements of TNS for the 3 month financial period ended *30 September 2016*, the book value of the Sale Shares as at 30 September 2016, the net tangible asset value of the Sale Shares as at 30 September 2016 and the net profit attributable to the Sale Shares acquired by the Company for the 3 month financial period ended 30 September 2016 were S\$976,000, S\$976,000 and S\$229,000 respectively.
- 4.2 No valuation was commissioned by the Company in respect of the Sale Shares.

5. MATERIAL CONDITIONS OF THE ACQUISITION

5.1 Conditions Precedent

Completion is conditional upon the fulfillment or waiver of, *inter alia*, the following conditions precedent:

- (i) the Company being satisfied in their absolute discretion with the results of the due diligence investigation (whether legal, financial, contractual, tax or otherwise) carried out by a professional service firm engaged by the Company in respect of TNS, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of TNS;
- (ii) all consents, approvals and authorisations of bankers, financial institutions, relevant third parties, government or regulatory authorities which are necessary or desirable 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 (including waivers of pre-emption rights by the existing shareholders of TNS and consents from existing bankers), and if subject to conditions, on such conditions acceptable to the Company, prior to the Completion Date, and such consents and approvals remaining in full force and effect and not being revoked;
- (iii) the approval of the board of directors and shareholders of the Company in an extraordinary general meeting (if required), and the approval and consents of any regulatory authorities (where necessary), in relation to the following;
 - (a) the acquisition of the Sale Shares by the Company;
 - (b) the allotment and issuance and/or transfer of the Consideration Shares; and
 - (c) such other corporate action(s) in connection with the transactions contemplated by the SPA;
- (iv) the listing and quotation notice being received from the SGX-ST for the listing of and quotation for the Consideration Shares, such approval not being revoked, rescinded or cancelled prior to Completion and, where such listing and quotation notice is obtained subject to any conditions, such conditions being acceptable to the Company;
- (v) all representations, warranties and undertakings of the Vendors and the Company under the SPA being complied with, and being true, accurate and correct in all respects as at the Completion Date, as if repeated at Completion and at all times between the date of the SPA and Completion;

- (vi) the full settlement and payment of all amounts due and owing by the Vendors and its related parties to TNS (including but not limited to the sum of S\$503,980 owing by the Vendors and/or its related parties as at the date of the Agreement);
- (vii) Spencer Tuppani, Tan Meng Chuan, Cheng Sing Teck, Ah Cham Desire Christian Ah Kam Sen, Lee Hock Kim and Logandaran s/o Muhundran and/or any other person(s) identified by the Company having entered into a service agreement with TNS for a period of three (3) years commencing from the Completion Date on such terms and conditions acceptable to the Company.

The long-stop date to fulfil the conditions precedent in the SPA is the date falling six (6) months from the date of the SPA.

5.2 Profit Guarantee

The Vendors (except for Tan Nam Seng and Sern Chia Lung) jointly and severally warrant and guarantee that TNS shall achieve a cumulative net profit before tax as reflected in the audited accounts of the Company (excluding gains from exceptional or non-recurrent income and extraordinary items, such as profit or gain arising from disposal of assets) (“**NPBT**”) of an aggregate of at least S\$3,500,000 (excluding the performance bonus (if any) payable to the key personnel of TNS upon fulfillment of this profit guarantee) for the period from the Completion Date and the date falling three (3) years of the Completion Date (“**Profit Guarantee**”).

In the event that TNS fails to achieve the Profit Guarantee, the Vendors (except for Tan Nam Seng and Sern Chia Lung) jointly and severally agree and undertake to compensate the Company by paying a cash sum being the difference between the said sum of S\$3,500,000 (excluding the performance bonus (if any) payable to the key personnel of TNS upon fulfillment of this Profit Guarantee) and the actual NPBT achieved (or loss, where applicable) for the period from the Completion Date and the date falling three (3) years of the Completion Date (“**PG Differential Sum**”), as compensation for the non-fulfilment of the Profit Guarantee.

In the event that the Profit Guarantee is not satisfied in accordance with Clause 5 of the SPA, the Vendors jointly and severally agree that, the Company is entitled to sell and/or transfer such number of the PG Moratorium Shares (as defined below) to any third party at any time and on such price as the Company may determine so as to satisfy the PG Differential Sum, provided that the number of PG Moratorium Shares which the Company is entitled to sell and/or transfer is calculated as follows:

$$\text{Number of PG Moratorium Shares} = \frac{\text{PG Differential Sum}}{\text{S\$0.12}}$$

5.3 Moratorium on Consideration Shares

The Vendors have provided a moratorium undertaking in respect of 23,333,333 Consideration Shares (“**Moratorium Shares**”) held by them for a period of one (1) year from the Completion Date (“**Moratorium Period**”).

In addition, the Vendors (except for Tan Nam Seng and Sern Chia Lung) have provided a moratorium undertaking in respect of the 29,166,667 Consideration Shares (“**PG Moratorium Shares**”) held by them for a period commencing from the Completion Date until the expiry of three (3) months after the issue of the audited accounts of TNS showing the cumulative NPBT (or loss, where applicable) for three (3) years after the Completion Date or satisfaction of the Profit Guarantee, whichever is earlier (“**PG Moratorium Period**”).

5.4 Mode of Moratorium

The Vendors have agreed to place the Consideration Shares (except for 4,341,750 Consideration Shares to be issued to Sern Chia Lung) in an escrow arrangement between the Company, the Vendors (except for Sern Chia Lung) and Credit Suisse, such fees charged by Credit Suisse to be borne by one of the Vendors, being Spencer Tuppani. In respect of any other Consideration Shares where Spencer Tuppani is not nominated as nominee of such Consideration Shares, the Company shall issue and hold in escrow the share certificate(s) representing such Consideration Shares during the Moratorium Period and PG Moratorium Period. The Company shall release the same to the relevant Vendor upon the expiry of the relevant periods pursuant to Clauses 6.1 and 6.2 of the SPA.

The Vendors have also agreed to place the 4,341,750 Consideration Shares issued to Sern Chia Lung in a moratorium account with the Central Depository (Pte) Limited (“CDP”) for a period of one (1) year from the Completion Date.

6. **RATIONALE FOR THE ACQUISITION**

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

- (i) the Acquisition will enable the Group to have a stable stream of income and profits;
- (ii) the Acquisition presents an opportunity for the Group to acquire a profitable company with viable business model and a good management team;
- (iii) the Acquisition presents an opportunity for the Group to work with TNS to venture overseas in port management and logistics services;
- (iv) there are various business opportunities that can be created by capitalising from the strengths of both the Group and TNS; and
- (v) the business of TNS is a good strategic fit to the Company’s existing business in Singapore taking into account the synergy created by both businesses.

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

7. **DISCLOSURE UNDER RULE 1013 OF THE CATALIST RULES**

- (i) Having reviewed, *inter alia*, the terms and rationale of the Acquisition and the financial effects thereof, the Board accepts the profit guarantee after due and careful enquiry and is of the view that the profit guarantee is reasonable, appropriate and is in the interest of the Company. Other factors taken into consideration and basis for such view are the historical revenue generated and its contract with its major customer.
- (ii) The quantum of the profit guarantee is based on reasonable assumptions from past results and information, and current year’s performance of TNS.
- (iii) As stated in paragraph 5.2 above, in the event the Profit Guarantee is not met, the Vendors (except for Tan Nam Seng and Sern Chia Lung) shall compensate the Company by paying the PG Differential Sum.
- (iv) A moratorium as stated at paragraph 5.3 above is imposed on the Consideration Shares, to be held in an escrow arrangement and moratorium account opened with the CDP as stated at paragraph 5.4 above. In addition, if the Profit Guarantee is not met and the Vendors fail to pay the PG Differential Sum, the Company is entitled to sell such number of PG Moratorium Shares held under the moratorium calculated in accordance with the formula set out at paragraph 5.2 above to satisfy the PG Differential Sum.

Further details are set out in paragraphs 5.2, 5.3 and 5.4 above.

8. 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/or bank borrowings. Part of the Purchase Consideration will be satisfied by way of issuing or transferring Consideration Shares to the Vendors.

9. 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 in the announcement dated 29 July 2016 relating to the Memorandum of Understanding (“**MOU**”), as the MOU was legally binding.

10. FINANCIAL EFFECTS OF THE ACQUISITION

The financial 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 2016 (“**FY2016**”); and (ii) the earnings per share of the Company (assuming that the Acquisition had been effected on 1 June 2015) based on the audited financial statements of the Company for FY2016, are set out in the announcement dated 29 July 2016 relating to the MOU, as the MOU was legally binding.

11. 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 of the Vendors.

12. SERVICE CONTRACT

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

13. DOCUMENTS FOR INSPECTION

A copy of the SPA is 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 October 2016

*This announcement has 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: Ms Amanda Chen (Registered Professional, RHT Capital Pte. Ltd.)
Address: Six Battery Road, #10-01, Singapore 049909
Tel: 6381 6757*