



KITCHEN CULTURE HOLDINGS LTD.

(Company Registration No: 201107179D)

(Incorporated in the Republic of Singapore on 25 March 2011)

PROPOSED JOINT VENTURE AND RESULTANT CHANGE IN INTEREST IN SUBSIDIARY

1. INTRODUCTION

The Board of Directors (the "**Board**") of Kitchen Culture Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiaries, KHL (Hong Kong) Limited ("**KHLHK**") and Kitchen Culture (Hong Kong) Limited, have on 16 October 2012 entered into a joint venture agreement ("**JV Agreement**") with unrelated third parties, Chan Ping Keung, Fung Chu Wan and Chan Tak Man (the "**JV Partners**"), for the establishment of a joint venture in Hong Kong (the "**Proposed Joint Venture**"). Pursuant to the JV Agreement, Kitchen Culture (Hong Kong) Limited, will be used as the joint venture company (the "**JVC**") and KHLHK, Chan Ping Keung, Fung Chu Wan and Chan Tak Man shall participate in the increase in share capital of the JVC in the proportion of 40:30:22:8, respectively (the "**Agreed Proportion**").

Following the completion of the JV Agreement, the JVC will cease to be a wholly-owned subsidiary of the Company and become a 40%-owned joint venture company of the Company (held through KHLHK).

2. INFORMATION ON THE JVC

The JVC was incorporated on 17 October 2011 in Hong Kong with an initial issued and paid-up share capital of HK\$1.00 comprising one (1) ordinary share held by the Company. The principal activities of the JVC include the sale and distribution of kitchen systems, kitchen appliances, wardrobe systems, household furniture and accessories mainly in the territory of Hong Kong.

The JVC was recently incorporated in October 2011 and has been loss-making to date. The JVC is not a principal subsidiary of the Group as it is only expected to commence full operations in end-2012 and its contribution to the Group's financial performance to date is not significant. Accordingly, the Proposed Joint Venture, which would result in the dilution of the Group's interest in the JVC, is not subject to shareholders' approval pursuant to Rule 805(2) of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

The unaudited net tangible liability value of the JVC was approximately S\$172,000 as at 30 June 2012 and the net loss attributable to the JVC for the half year period ended 30 June 2012 was approximately S\$171,000. There are no sale proceeds arising from the Proposed Joint Venture. As such, the calculation of any gain or loss on disposal in respect of the Proposed Joint Venture is not meaningful.

3. PRINCIPAL TERMS OF THE PROPOSED JOINT VENTURE

3.1 Capital Contribution towards the JVC

The issued and paid-up share capital of the JVC will be increased from HK\$1 to HK\$10,000,000 (the “**Agreed Capital**”) by way of allotment and issuance of 9,999,999 ordinary shares of HK\$1.00 each, which will be subscribed by KHLHK, Chan Ping Keung, Fung Chu Wan and Chan Tak Man such that the final proportions after the allotment of shares shall result in the Agreed Proportion. The paid-up capital of HK\$10,000,000 will be applied towards the working capital of the JVC.

The Company will transfer the existing one (1) ordinary share it holds in the JVC to KHLHK for a cash consideration of HK\$1.00. KHLHK’s subscription of 3,999,999 shares in the JVC will be financed by capitalising existing shareholders’ advances of HK\$3,999,999 owing by the JVC to KHLHK. These shareholders’ advances were funded from the proceeds of the Group’s initial public offering in July 2011.

As a result, KHLHK will hold 40% of the issued and paid-up share capital of the JVC upon completion of the JV Agreement while Chan Ping Keung, Fung Chu Wan and Chan Tak Man will hold 30%, 22% and 8% respectively.

3.2 Conditions Precedent

The completion of the JV Agreement is conditional upon the fulfilment of the following conditions precedent:-

- (a) All consents and approvals as may be necessary to be obtained for and in connection with the Proposed Joint Venture having been obtained;
- (b) All representations, warranties and undertakings under the JV Agreement being complied with, and being true, accurate and correct in all respects; and
- (c) None of the parties having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the JV Agreement, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened.

3.3 Non-Competition

Fung Chu Wan and Chan Tak Man are both the directors and shareholders of Eggersmanns Kuchen (Hong Kong) Company Limited and L. HK China Limited, companies which are engaged in similar business as the JVC (the “**Disclosed Fact**”).

Save for the Disclosed Fact, each of the JV Partners undertake that while the JV Agreement is in force, they will not, either directly or indirectly, be involved in any jurisdiction in any business which is the same or similar to that of the JVC.

3.4 Other Material Terms

The other material terms of the JV Agreement are, *inter alia*:-

- (a) The parties agree that all subsisting contracts entered into by Eggersmanns Kuchen (Hong Kong) Company Limited and L. HK China Limited for the sales of goods relating to the business of the JVC, together with such contracts made in future (collectively “**Contracts**”) shall be transferred to the JVC upon the date of completion of the JV Agreement, such that the accounting date for the transfer of the rights and benefits of these Contracts shall become effective and deemed to have taken effect on 1 June 2012, notwithstanding that the completion of the JV Agreement had not taken place. The JVC shall undertake to procure the transfer of the Contracts on the date of completion.

- (b) The effective date of recognising the shareholders' interests in the JVC in proportion to their shareholding will start from 1 June 2012.

3.5 Completion

Pursuant to the JV Agreement, if any of the conditions precedent has not been fulfilled within three (3) months from the date of the JV Agreement or by such other later date as may be agreed in writing by the parties, the JV Agreement shall become null and void.

Completion shall take place on the date falling within three (3) days from the fulfilment of the last condition precedent.

In the event any of the parties fails to fulfil his obligations under the JV Agreement such that the issued and paid-up share capital of the JVC does not result in the Agreed Capital on the date of completion of the JV Agreement, the parties may consider extending completion by another 30 days to enable the parties to carry out the following:-

- (a) Make adjustments to the Agreed Proportion and Agreed Capital according to the defaulting party's ability to subscribe for the number of shares in the JVC; or
- (b) Make adjustments to the Agreed Proportion where the non-defaulting parties will subscribe in cash the differences in the number of shares in the JVC in equal proportion in order to meet the Agreed Capital thereby diluting the defaulting party's proportion.

4. RATIONALE FOR THE PROPOSED JOINT VENTURE

The Proposed Joint Venture is in line with the Company's plan to expand its geographical coverage. The Company has constantly been looking for suitable opportunities to develop and expand the Group's business in new markets such as Hong Kong and Indonesia. The Directors believe that the Proposed Joint Venture enables the Group to leverage on the local knowledge and contacts of the JV Partners which is a prudent and cost-effective strategy to penetrate the Hong Kong market.

5. FINANCIAL EFFECTS OF THE PROPOSED JOINT VENTURE

The financial effects of the dilution of the Group's equity interest in the JVC in conjunction with the issue of shares by the JVC are stated below purely for illustrative purposes only and do not reflect the future financial results of the Group as a result of the Proposed Joint Venture.

5.1 Net tangible assets ("NTA")

The financial effect of the Proposed Joint Venture on the NTA per share of the Group for the financial year ended 31 December 2011 ("FY2011"), assuming that the Proposed Joint Venture had been effected as at 31 December 2011 is as follows:-

As at 31 December 2011	Before Proposed Joint Venture	After Proposed Joint Venture
NTA (S\$'000)	13,121	13,121 ⁽¹⁾
Number of issued shares of the Group	100,000,000	100,000,000
NTA per share (cents)	13.1	13.1

Note:-

- (1) The JVC will be accounted for using the equity method and accordingly, there will be no change to the NTA of the Group as a result of the Proposed Joint Venture.

5.2 Earnings per share (“EPS”)

As the JVC was incorporated on 17 October 2011, the financial effect of the Proposed Joint Venture on the earnings per share of the Group for FY2011 has been prepared based on the assumption that the Proposed Joint Venture had been effected as at 17 October 2011 and is set out as follows:-

FY2011	Before Proposed Joint Venture	After Proposed Joint Venture
Profits after tax and minority interests (S\$'000)	1,254	1,253 ⁽¹⁾
Weighted average number of issued shares of the Group	100,000,000	100,000,000
Earnings per share (cents)	1.3	1.3

Note:-

- (1) Based on management accounts (audited financials are not available), the JVC recorded net loss of approximately S\$1,000. Accordingly, the net loss attributable to the 60% interest in the JVC which is effectively disposed of is approximately S\$600.

6. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Joint Venture computed on the relevant bases set out in Rule 1006(a) to (e) of the Catalist Rules are as follows:-

Rule 1006	Bases	%
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	-0.8% ⁽¹⁾
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	-24.8% ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation	3.3% ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable.
(e)	The aggregate volume or amount proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable.

Notes:-

- (1) Based on the unaudited financial statements of the Group for the half year ended 30 June 2012, the net asset value of the Group is approximately S\$13.2 million and the net liability value of 60% of the JVC is approximately S\$0.1 million.

If the net asset value of the JVC were to be adjusted for the increase in issued and paid-up share capital, the net asset value of 60% of the JVC would be approximately S\$0.9 million and the relative figure computed on the basis set out in Rule 1006(a) would be approximately 6.7%.

- (2) Based on the unaudited financial statements of the Group for the half year ended 30 June 2012, the net profit before tax of the Group is approximately S\$0.4 million and the net loss before tax attributable to the 60% interest in the JVC which is effectively disposed of is approximately S\$ 0.1 million.

- (3) Consideration is presented based on (i) the amount of capital injected by the JV Partners of approximately S\$983,000 (based on an exchange rate of S\$1: HK\$6.101) for subscription of 60% of the share capital in the JVC; and (ii) the Company's market capitalization of approximately S\$29.5 million (based on the closing price on 15 October 2012).

As all the relative figures computed under Rule 1006 do not exceed 50%, the Proposed Joint Venture is considered as a "discloseable transaction" pursuant to Rule 1010 of the Listing Manual and shareholders' approval is not required.

7. SERVICE AGREEMENT

There are no directors proposed to be appointed to the Board in connection with the Proposed Joint Venture and accordingly no service agreements in relation thereto will be entered into by the Company.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Each of Chan Ping Keung, Fung Chu Wan and Chan Tak Man is not related to the Directors or the controlling shareholders of the Company.

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Joint Venture, other than through their shareholdings in the Company.

9. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the JV Agreement is available for inspection at the Company's registered office at 25 New Industrial Road #02-01 KHL Industrial Building Singapore 536211 during normal business hours for a period of three (3) months from the date of this announcement.

10. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in dealing with the securities of the Company as there is no certainty or assurance that the Proposed Joint Venture will materialise as it is subject to the fulfilment of, *inter alia*, the conditions precedent set out above. Shareholders who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

By Order of the Board

Lim Wee Li
Executive Chairman and Chief Executive Officer
16 October 2012

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Canaccord Genuity Singapore Pte. Ltd. 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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