



KITCHEN CULTURE HOLDINGS LTD.

(Company Registration No: 201107179D)

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

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- **PROPOSED DIVERSIFICATION OF BUSINESS TO INCLUDE PROPERTY DEVELOPMENT, INVESTMENT AND TRADING BUSINESS**
 - **MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED JOINT VENTURE**
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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 the Company is proposing to diversify its business ("**Proposed Diversification**") to include property development, investment and trading business ("**Proposed New Business**"). The Proposed New Business is complementary to the Group's current business activities as a premier kitchen solutions provider for luxury residential projects.

Being a new entrant to the Proposed New Business, the Group intends to undertake the Proposed New Business in partnership/collaboration with third parties who have the relevant expertise and resources, as a start.

In this regard, the Company has on 11 September 2012 entered into a non-binding Memorandum of Understanding ("**MOU**") with an unrelated third party (the "**JV Partner**") for the establishment of a joint venture (the "**Proposed Joint Venture**"). The Company is expected to hold 20% interest in the Proposed Joint Venture and the remaining 80% interest will be held by five (5) unrelated parties (including the JV Partner). The joint venture company ("**JV Co**") will be engaged in an en bloc sale and high-end residential redevelopment project, involving the acquisition of en bloc properties (the "**En Bloc Properties**") at a purchase price of approximately S\$92.2 million (the "**Purchase Price**"). As at the date of this announcement, the JV Co has yet to acquire the En Bloc Properties.

2. RATIONALE FOR THE PROPOSED DIVERSIFICATION

The Group intends to diversify its business to include the Proposed New Business due to the following principal reasons:

2.1 The Proposed New Business can become a new engine of growth

Barring unforeseen circumstances, the Directors are of the view that the Proposed Diversification fits well into the objectives of the Company as it can become a new engine of earnings growth for the Group given the current buoyant property market.

The Proposed Diversification is a strategy to diversify the Group's revenue sources to reduce the Group's dependency on its existing core business in the sale and distribution of premium imported kitchen systems, kitchen appliances, wardrobe systems, household furniture and accessories.

2.2 The Proposed New Business is complementary to the Group's existing core business

The Proposed New Business is complementary to the Group's current core business activities as a premier kitchen solutions provider for luxury residential projects. The Directors believe that there is a strong synergy between the Group's current core businesses and the Proposed New Business. The Group can leverage on its network of contacts in the property development industry (such as main contractors, sub-contractors, project consultants, and building material suppliers) for the Proposed New Business. Further, the Group is expected to have a competitive edge in securing contracts for the supply of kitchen systems to the property development projects undertaken by the Group in the future. This is expected to increase the business opportunities for the Group's existing core business, while generating additional revenue from such development projects.

3. **PRINCIPAL TERMS OF THE MOU**

- 3.1 The Company and the JV Partner have entered into the MOU with a view to entering into a formal and definitive joint venture agreement ("**JVA**") in due course. Under the terms of the MOU, it is intended that the Company will acquire a 20% equity interest in the JV Co.
- 3.2 Pursuant to entering into the MOU, the Company is required to pay an amount of S\$1,664,787 to the JV Partner as a good faith deposit (the "**Deposit**") indicating its intention to participate in the Proposed Joint Venture. The amount comprises (i) S\$190,667 as referral fees, legal fees and other administrative expenses for carrying out the en bloc sale; (ii) S\$552,120 as stamp duty; and (iii) S\$922,000 as option money. Save for the sum of S\$190,667 which shall be retained by the JV Partner to defray the expenses incurred for the purposes of item (i), the Deposit shall be fully refundable to the Company in the event any of the conditions set out below in 3.3 are not fulfilled within 180 days from the date of the MOU.
- 3.3 The formation of the Proposed Joint Venture is conditional upon, *inter alia*, the following:
- (i) approval of the Board and shareholders of the Company to diversify into the Proposed New Business and to enter into the Proposed Joint Venture;
 - (ii) all necessary consents, approvals and authorisations from the relevant authorities including but not limited to the necessary approval required from the Strata Titles Board Singapore for the acquisition of the En Bloc Properties having been obtained;
 - (iii) successful entering into a definitive sale agreement for the acquisition of the En Bloc Properties at the Purchase Price; and
 - (iv) execution of the JVA and such other conditions as provided in the JVA.
- 3.4 The JV Co shall take necessary steps to secure the necessary bank financing for the acquisition of the En Bloc Properties and to fund the redevelopment project.
- 3.5 The MOU shall terminate upon the execution of the JVA, and shall expire automatically if the JVA is not executed within 180 days of the date of the MOU, unless extended upon the mutual agreement of the Company and the JV Partner.

4. **INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

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

5. OTHERS

- 5.1 The Company will be seeking shareholders' approval in connection with the Proposed Diversification. Accordingly, entry into the JVA will be subject to shareholders' approval being obtained.
- 5.2 Shareholders are advised to exercise caution in dealing with the securities of the Company as there is no certainty or assurance that the Proposed Diversification or the Proposed Joint Venture will materialise. Shareholders who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.
- 5.3 Further announcements in relation to the Proposed Diversification and the Proposed Joint Venture will be made as and when appropriate.

By Order of the Board

Lim Wee Li
Executive Chairman and Chief Executive Officer
19 September 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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