kitchen culture

KITCHEN CULTURE HOLDINGS LTD.
(Company Registration No: 201107179D)
(Incorporated in the Republic of Singapore on 25 March 2011)

ACQUISITION OF AN ADDITIONAL 30% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF KITCHEN CULTURE (HONG KONG) LIMITED

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1. INTRODUCTION

The Board of Directors (the "**Board**" or "**Directors**") of Kitchen Culture Holdings Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary, KHL (Hong Kong) Limited ("**KHLHK**"), had on 5 February 2015, entered into two separate sale and purchase agreements (each a "**SPA**" and collectively, the "**SPAs**") with Fung Chu Wan ("**FCW**") and Chan Tak Man ("**CTM**") for the acquisition by KHLHK of 22% and 8% of the issued and paid-up share capital of Kitchen Culture (Hong Kong) Limited ("**KCHK**") (collectively the "**Sale Shares**") from FCW and CTM respectively (the "**Acquisition**").

The completion of the Acquisition had simultaneously taken place on 5 February 2015 (the "**Completion Date**"). Prior to the Completion Date, the Company held 40% of the issued and paid-up share capital of KCHK (held through KHLHK). Following the completion of the Acquisition, KCHK is now a 70%-owned subsidiary of the Company (held through KHLHK).

2. INFORMATION ON KCHK

KCHK was incorporated on 17 October 2011 in Hong Kong. As at the date of this announcement, KCHK has an issued and paid-up share capital of HK$10,000,000 divided into 10,000,000 ordinary shares of HK$1.00 each. The principal activities of KCHK include the sale and distribution of kitchen systems, kitchen appliances, wardrobe systems, household furniture and accessories mainly in Hong Kong.

The net tangible liability value of the Sale Shares as at 30 June 2014 (unaudited) and 31 December 2013 (audited) was approximately HK$1.0 million (equivalent to approximately S$177,000[1]) and approximately HK$1.6 million (equivalent to approximately S$274,000[1]) respectively. The net profit attributable to the Sale Shares for the half year ended 30 June 2014 (unaudited) was approximately HK$548,000 (equivalent to approximately S$95,000[1]) and the net loss attributable to the Sale Shares for the financial year ended 31 December 2013 (audited) was approximately HK$2.5 million (equivalent to approximately S$433,000[1]). No independent valuation was conducted on KCHK.

3. PURCHASE CONSIDERATION

The aggregate purchase consideration for the Sale Shares, which comprises the consideration for the acquisition of the Sale Shares as well as the repayment of advances amounting to HK$3.0 million made by FCW and CTM to KCHK, is HK$6.0 million (equivalent to approximately S$1.0 million[1]) (the "**Purchase Consideration**"). The Purchase Consideration

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[1] Based on the exchange rate of S$1:HK$5.756 as at 4 February 2015, for illustration purposes only.

was arrived at on a willing buyer and willing seller basis, after taking into account, *inter alia*, the original amounts invested by FCW and CTM.

The Purchase Consideration, payable entirely in cash, shall be paid by KHLHK to FCW and CTM in the following manner:

Time of payment	**Amount of Purchase Consideration payable to FCW**	**Amount of Purchase Consideration payable to CTM**	**Total amount**
Completion Date (being 5 February 2015)	HK$550,000	HK$200,000	HK$750,000
On the last day of the month following the Completion Date and continuing for each month for 14 months thereafter unless otherwise agreed to in writing by the parties	HK$275,000 per month	HK$100,000 per month	HK$375,000 per month
Total	**HK$4,400,000**	**HK$1,600,000**	**HK$6,000,000**

In this regard, KHLHK had paid HK$550,000 and HK$200,000 in cash to FCW and CTM respectively, on 5 February 2015.

4. MATERIAL TERMS OF THE ACQUISITION

4.1 An advance of HK$300,000 extended by FCW to KCHK (which is in addition to the aggregate advances of HK$3.0 million made by FCW and CTM to KCHK as set out in paragraph 3 above) shall be repaid by KCHK on the Completion Date. Accordingly, KCHK had made such repayment to FCW on 5 February 2015.

4.2 Each of FCW and CTM undertakes that he will not (and he will procure that his affiliates will not) at any time during the period commencing from the date of the SPA and ending 24 months later, be directly or indirectly, *inter alia*, involved in any business in Hong Kong and Macau which is the same or similar to that of KCHK or is likely to be in competition with the business of KCHK.

5. RATIONALE FOR THE ACQUISITION

The Acquisition will enable the Group to gain control and deepen its involvement in the operation of KCHK and use this as a platform to further develop and expand the Group's business in Hong Kong.

6. FINANCING

The Purchase Consideration, which is payable entirely in cash, will be funded by the Group's internal resources.

7. FINANCIAL EFFECTS OF THE ACQUISITION

The financial effects of the Acquisition set out below, based on the Group's audited consolidated financial statements for the financial year ended 31 December 2013 ("**FY2013**"), are purely for illustrative purposes only and do not reflect the future financial results of the Company or the Group after the completion of the Acquisition.

7.1 Net tangible asset value ("NTA")

The financial effect of the Acquisition on the NTA per share of the Group for FY2013, assuming that the Acquisition had been effected as at 31 December 2013 is as follows:

As at 31 December 2013	Before Acquisition	After Acquisition
NTA (S$'000)	13,820	13,075
Number of issued shares	100,000,000	100,000,000
NTA per share (cents)	13.8	13.1

7.2 Earnings per share ("EPS")

The financial effect of the Acquisition on the EPS of the Group for FY2013, assuming that the Acquisition had been effected on 1 January 2013 is as follows:

FY2013	Before Acquisition	After Acquisition
Profits after tax and minority interests (S$'000)	1,307	651
Weighted average number of issued shares	100,000,000	100,000,000
EPS (cents)	1.3	0.7

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

The relative figures for the Acquisition computed on the relevant bases set out in Rule 1006 of Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual (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	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	(25.8)%[(1)]
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation	3.7%[(2)]
(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 consolidated financial statements of the Group for the half year ended 30 June 2014, the net loss before tax of the Group is approximately S$0.4 million and the net profit before tax attributable to the Sale Shares is approximately S$0.1 million.

(2) Based on the Purchase Consideration of S$1.0 million and the Company's market capitalisation of S$28.0 million (being its issued ordinary share capital of 100,000,000 shares ("**Shares**") and the volume weighted average price of the Shares on Catalist of S$0.28 on 4 February 2015, being the market day preceding the date of the SPAs).

In accordance with Rule 1007 (1) of the Catalist Rules, as the relative figure computed under Rule 1006 (b) of the Catalist Rules is a negative figure, the sponsor of the Company, on behalf of the Company, had consulted the SGX-ST and obtained confirmation from the SGX-ST that the Acquisition constitutes a "discloseable transaction" under Chapter 10 of the Catalist Rules and shareholders' approval is not required for the Acquisition.

9. SERVICE AGREEMENT

There are no directors proposed to be appointed to the Board in connection with the Acquisition and accordingly no service agreements in relation thereto will be entered into by the Company. CTM will remain as the sales director of KCHK after the completion of the Acquisition.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Each of FCW and CTM 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 Acquisition, other than through their respective shareholdings (if any) in the Company.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each SPA 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.

By Order of the Board

Lim Wee Li
Executive Chairman and Chief Executive Officer
5 February 2015

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*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. 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 contact person for the Sponsor is Mr Alex Tan, Chief Executive Officer, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.