



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

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**ENTRY INTO NON-BINDING TERM SHEET IN RELATION TO THE PROPOSED ACQUISITION OF  
40% EQUITY INTEREST IN BEIJING ANXIN HEALTH PRODUCTS CO., LTD**

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**1. INTRODUCTION**

The board of directors (the "**Board**" or the "**Directors**") of Kitchen Culture Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company had on 20 May 2020 entered into a non-binding term sheet (the "**Term Sheet**") with Guangdong Fon-neus Environment Protection Technology Inc. (广东丰能环保科技股份有限公司) (the "**Seller**" and together with the Company, the "**Parties**"), in relation to the proposed acquisition by the Company of 40% of the equity interest ("**Equity Interest**") in Beijing Anxin Health Products Co., Ltd (北京安心卫生用品有限公司) ("**Target Company**") from the Seller (the "**Proposed Transaction**").

The terms, conditions and additional information for the Proposed Transaction are not limited to those set forth in the Term Sheet and are subject to the entry into the Definitive Agreements (as defined below) by the Parties and the Buyer (as defined below).

**2. INFORMATION ON THE SELLER AND THE TARGET COMPANY**

- 2.1 The Seller is a limited liability company organized and existing under the laws of the People's Republic of China ("**PRC**") and incorporated on 15 September 2009. The Seller is principally engaged in the business of manufacturing environmental friendly plastics and rubber materials for running tracks, flooring, artificial grass fields as well as various rubber parts for the automobile industry. The Seller was introduced to the Company by the Introducer (as defined below).
- 2.2 The Target Company is a company incorporated in the PRC on 17 April 2020. The Target Company is a manufacturer of medical supplies such as masks and sanitizers and owns and is licensed to use certain intellectual properties ("**IP**"), which includes the "AnXin 安心" brand of sanitizers.
- 2.3 As at the date of this announcement, neither the Seller nor the Target Company holds any shares in the capital of the Company (each a "**Share**"). The Seller, the Target Company and their respective owners are not related to the Company, its Directors and its controlling shareholders, and their respective associates.

### 3. RATIONALE FOR THE PROPOSED TRANSACTION

The Company announced on 31 March 2020 that the Company intends to conduct a strategic review of its business segments, to evaluate opportunities and positioning, with a view to strengthening the core business of the Group whilst maximising potential value for all stakeholders. The Company had also announced that the Group intends to explore new areas of opportunities and alternate businesses, including areas of healthcare and medical supplies solutions, artificial intelligence, machine learning and data science.

The Company had also on 23 April 2020 announced the incorporation of KC Medical Supplies Pte. Ltd. ("**KC Medical**"), a wholly-owned subsidiary of the Company. In this respect, the Company has identified the business of the Target Company as being synergistic with and complementary to the medical and related supplies trading business ("**Medical Supplies Trading Business**") of KC Medical. Notwithstanding that no definitive agreement in respect of the Proposed Transaction has been entered into, taking into account the current world economic situation and the COVID-19 pandemic, the Board remains cautiously optimistic that the Medical Supplies Trading Business will be able to provide alternate revenue streams for the Group, and in turn would yield positive returns to shareholders.

As part of this review and expansion and beginning with the Proposed Transaction, the Directors and management of the Company will endeavour to build a portfolio of businesses that is well-positioned to create and enhance shareholder value over the long term in a prudent manner. For the avoidance of doubt, shareholders' approval for the diversification into new businesses will be sought at an appropriate time.

Accordingly, the Directors are of the view that the Proposed Transaction is in the best interests of the Company and its shareholders.

### 4. PRINCIPAL TERMS OF THE TERM SHEET

#### 4.1 The Seller's Undertakings

- (a) The Seller undertakes (at the Seller's own costs and expenses) to procure the transfer of the entire shareholding of the Target Company to the Seller, for the Target Company to become a wholly-held subsidiary of the Seller, to the satisfaction of the Company ("**Shareholding Restructuring**") on or before the date falling three (3) weeks after the date of the Term Sheet (unless otherwise agreed in writing by the Company) ("**Deadline**").
- (b) On or before the Deadline, the Seller further undertakes that and/or undertakes to procure (at the Seller's own costs and expenses) that the business of the Target Company shall be restructured to the satisfaction of the Company and shall, unless otherwise agreed in writing by the Company, carry on the business of the manufacture of medical supplies such as masks and sanitizers ("**Business Restructuring**").
- (c) The Seller also undertakes that and/or undertakes to procure (at the Seller's own costs and expenses) that on or before the Deadline, the Target Company exclusively owns and is licensed to use certain IP to the satisfaction of the Company, which shall include the "AnXin 安心" brand of sanitizers ("**IP Restructuring**").
- (d) The Seller acknowledged and agreed that in the event the Proposed Transaction is not completed, the Company shall be held harmless and shall not be liable for any damages, costs or expenses incurred by the Seller (whether directly or indirectly) in the course of and/or as a result of the Shareholding Restructuring, Business Restructuring, IP Restructuring and/or the Proposed Transaction not being completed.

4.2 Definitive Agreements

- (a) The Parties and/or the Buyer will enter into the definitive agreements on mutually acceptable terms to implement the Proposed Transaction, as follows:
  - i) subject to the completion of the Shareholding Restructuring to the satisfaction of the Company, a framework agreement between the Company and the Seller, setting out the terms and conditions of the Proposed Transaction ("**Framework Agreement**");
  - ii) subject to the completion of the Shareholding Restructuring to the satisfaction of the Company, an equity transfer agreement between the Seller and KC Medical ("**Buyer**") for the Equity Interest; and
  - iii) such other definitive agreements as may be necessary to implement the Proposed Transactions on mutually acceptable terms,(collectively, the "**Definitive Agreements**").
- (b) The Framework Agreement shall contain representations and warranties, undertakings, covenants and termination provisions generally expected in a transaction of such nature, including the Target Company's valid ownership of the IP.
- (c) The Definitive Agreements shall be in form and substance acceptable to the Parties.
- (d) The Parties expressly acknowledge that the Term Sheet and the Definitive Agreements are being entered into and will be performed during a global pandemic. Neither Party shall seek to disclaim any obligation or liability based on "force majeure" or any similar argument in connection with such pandemic or its effects on the Parties, the Target Company and/or its business.

4.3 Purchase Consideration

- (a) The purchase price ("**Purchase Consideration**") for the Equity Interest will be based on a valuation of five (5) times the price-to-earnings ratio of the Target Company ("**Valuation**").
- (b) The Purchase Consideration will be satisfied by the issue of new ordinary shares in the Company in accordance with paragraph 4.3(c) below, based on the exercise price of S\$0.23 per Consideration Share (as defined below) ("**Exercise Price**"), which represents (i) a 15.0% premium over the closing price per Share of S\$0.20; and (ii) a 15.3% premium over the volume weighted average price of the Shares of S\$0.1995, on 19 May 2020, being the last market day on which the Shares were traded on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") prior to the date of the Term Sheet ("**Consideration Shares**") calculated as follows:

$$\text{Consideration Shares} = \frac{40\% \times \text{Valuation}}{\text{S\$0.23}}$$

- (c) As set out in paragraph 4.3(d) below, the issue of the Consideration Shares will be deferred to the time when the Target Company achieves the Target Profit (as defined below).
- (d) The target profit is achieved if the Target Company meets the following ("**Target Profit**"):
  - i) at least RMB 10 million net profit after tax for each of the first two financial years; or

- ii) an accumulation of at least RMB 20 million net profit after tax for the first two financial years,

immediately after the execution of the Framework Agreement, before extraordinary items, as reflected in audited financial statements of the Target Company (such audited financial statements prepared in accordance with *inter alia* accounting principles and financial standards approved by the Buyer).

#### 4.4 Conditions Precedent

Completion of the sale of the Equity Interest is conditional upon the following conditions being fulfilled or waived by the Company ("**Conditions Precedent**"):

- (a) all necessary approvals, resolutions, permits and authorizations required for the sale and transfer of the Equity Interest being obtained, and if given on conditions, such conditions being satisfactory to the Company;
- (b) the Shareholding Restructuring, Business Restructuring and IP Restructuring being completed to the satisfaction of the Company;
- (c) the Company's satisfactory due diligence on the Target Company and its business;
- (d) shareholders' approval in general meeting of the Company of the Proposed Transaction, if required; and
- (e) the Target Company achieves the Target Profit,

provided that the Equity Interest shall be transferred to the Buyer by the Seller on fulfilment of paragraphs 4.4(a) to 4.4(d) above of the Conditions Precedent. If any of the Conditions Precedent are not fulfilled or waived by the Company, the Framework Agreement and all Definitive Agreements shall terminate and cease to have force or effect. The Seller acknowledges and agrees that the Company shall have the right (and not obligation) to terminate the Framework Agreement or amend the terms of the Framework Agreement to the satisfaction of the Company if the Target Company does not achieve the Target Profit and the Seller shall do all things necessary to the satisfaction of the Company to effect such termination or amendment to the terms of the Framework Agreement (including at the discretion of the Company, the return of the Equity Interest to the Seller at no cost to the Company or the Buyer).

#### 4.5 Completion

- (a) If the Proposed Transaction proceeds to completion, the Seller shall procure that the Equity Interest shall be transferred to the Buyer before the issue and allotment of the Consideration Shares to the Seller.
- (b) The Seller shall procure, together with the transfer of the Equity Interest to the Buyer, that the director of the Target Company who is required by the Buyer to be appointed to the Target Company, shall be appointed accordingly.
- (c) The Buyer shall only pay the Purchase Consideration to the Seller upon the Conditions Precedent being fulfilled and upon the Target Company meeting the Target Profit.

#### 4.6 Exclusivity

The Seller shall give the Company and the Buyer the exclusive rights from the date of the Term Sheet to 31 August 2020 (“**Exclusivity Period**”) to commence and complete the due diligence investigation, and the signing of all definitive documents for the implementation of the Proposed Transaction. During this Exclusivity Period, the Seller shall not (and shall procure that the Target Company shall not) solicit, canvass, approach or accept any approach from any person or entity or conduct any discussion with any person or engage in any negotiation with any party (other than the Company and the Buyer) in relation to the sale of an interest in the equity of the Target Company, or of its business.

#### 4.7 Termination

The Term Sheet automatically terminates on the expiry of the Exclusivity Period. On termination of the Term Sheet, the parties are released from the obligations set out in the Term Sheet except those pertaining to the confidential Information clause in the Term Sheet and any other obligations that by their nature survive termination.

### 5. **INTRODUCER FEE**

The Company has agreed to pay the introducer, Ong Wei Liang Eugene (“**Introducer**”), 5% of the Purchase Consideration (“**Introducer Fee**”) for the introductory services provided by the Introducer relating to the Proposed Transaction.

The Introducer Fee shall be satisfied by way of the allotment and issuance of the Shares to the Introducer at the Exercise Price (“**Introducer Shares**”), concurrently with the allotment and issuance of the Consideration Shares to the Seller upon the Target Company achieving the Target Profit.

The Introducer is an acquaintance of the Company. As at the date of this announcement, the Introducer does not hold any Shares in the Company. The Introducer has confirmed to the Company that he is not related to the Group, the Company’s Directors and controlling shareholders, and their respective associates.

### 6. **STATUS OF CONSIDERATION SHARES, INTRODUCER SHARES, CIRCULAR AND EGM**

The Company will be convening an extraordinary general meeting (“**EGM**”) to seek the approval of the shareholders (“**Shareholders**”) of the Company for the allotment and issue of the Consideration Shares and the Introducer Shares pursuant to the Proposed Transaction. A circular containing, *inter alia*, the notice of the EGM and details of the Proposed Transaction will be despatched to the Shareholders in due course.

The Company will keep Shareholders updated on any material developments in relation to the Proposed Transaction, *inter alia*, the signing of any of the Definitive Agreements relating to the Proposed Transaction and the despatch of the circular, by way of announcements as and when appropriate. Further information, including but not limited to the assessment of the Proposed Transaction in accordance with Chapter 10 of the Catalist Rules, and the financial effects of the Proposed Transaction, will be set out in the announcement to be made by the Company at the time the Definitive Agreements relating to the Proposed Transaction will be signed.

The Consideration Shares and the Introducer Shares shall be issued fully-paid, and shall rank *pari passu* in all respects with and carry all rights similar to the then existing Shares, and shall be subject to any moratorium imposed by the SGX-ST or any other relevant governmental body or

authority on the transfer of any of the Consideration Shares and/or the Introducer Shares, as the case may be.

If the Definitive Agreements are signed, the Company will be making an application, through SAC Capital Private Limited (“**Sponsor**”), to the SGX-ST for the listing and quotation of the Consideration Shares and the Introducer Shares on the Catalist board of the SGX-ST. The Company will make the necessary announcement upon receipt of the approval from the SGX-ST for the listing and quotation of the Consideration Shares and the Introducer Shares.

## **7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Transaction other than through their respective directorships and/or shareholdings in the Company.

## **8. DOCUMENT AVAILABLE FOR INSPECTION**

The Term Sheet is available for inspection during normal business hours from 9.00 am to 5.00 pm at the registered office of the Company at 2 Leng Kee Road, #01-08 Thye Hong Centre, Singapore 159086 for a period of three (3) months from the date of this announcement. However, Shareholders should note that in compliance with the Singapore Government’s “Circuit Breaker” measures, the Group’s registered office and showroom will be closed from 7 April 2020 to 1 June 2020, subject to further directives from the Singapore Government.

## **9. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Transaction, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

## **10. TRADING CAUTION**

Shareholders and potential investors should note that the Proposed Transaction is subject to the fulfilment of, *inter alia*, the conditions set out above, including the Company, Buyer and the Seller (as the case may be) entering into the Definitive Agreements, and the Company obtaining of the relevant regulatory approvals, and accordingly should exercise caution when trading in the shares of the Company.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

## 11. FURTHER ANNOUNCEMENTS

The Company will make further announcements where necessary upon the signing of the Definitive Agreements, or as and when there any material developments in relation to the Proposed Transaction.

By order of the Board

Lim Wee Li

Executive Chairman and Chief Executive Officer  
20 May 2020

*This announcement has been reviewed by the Sponsor. It has not been examined or approved by SGX-ST, and 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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