

CACOLA FURNITURE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands)
Company Registration Number: 179492

PROPOSED RENOUNCEABLE AND NON-UNDERWRITTEN RIGHTS CUM WARRANTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS SHARES WITH ONE (1) FREE DETACHABLE WARRANT FOR EVERY TEN (10) EXISTING ORDINARY SHARES IN THE SHARE CAPITAL OF THE COMPANY HELD BY THE ENTITLED SHAREHOLDERS (AS DEFINED HEREIN) OF THE COMPANY AS OF THE BOOKS CLOSURE DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED.

1. INTRODUCTION

- 1.1. **Rights Cum Warrants Issue.** The board of directors ("**Board**") of Cacola Furniture International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company is proposing a renounceable non-underwritten rights issue of new ordinary shares in the issued and paid-up share capital of the Company ("**Rights Shares**") at an issue price of S\$0.012 for each Rights Share ("**Issue Price**"), with free detachable warrants ("**Warrants**"), each Warrant carrying the right to subscribe for one (1) new ordinary share in the share capital of the Company ("**New Share**") at an exercise price of S\$0.016 for each New Share ("**Exercise Price**") exercisable within the Exercise Period (as defined in Paragraph 2.3 below, on the basis of four (4) Rights Shares with one (1) free detachable Warrant for every ten (10) existing ordinary shares ("**Shares**") in the share capital of the Company ("**Proposed Ratio**"), held by the Entitled Shareholders (as defined in paragraph 5.1 below) of the Company as at a time and date to be determined by the Directors ("**Books Closure Date**"), for purposes of determining the Shareholders' entitlement, fractional entitlements to be disregarded ("**Rights cum Warrants Issue**").
- 1.2. **2015 Share Issue Mandate.** The Rights cum Warrants Issue will be undertaken pursuant to the share issue mandate approved by the shareholders of the Company ("**Shareholders**") at the Company's annual general meeting held on 30 April 2015 ("**2015 Share Issue Mandate**"). The 2015 Share Issue Mandate authorises the directors of the Company ("**Directors**") to allot and issue Shares and/or convertible securities of not more than 50% of the total number of issued Shares (excluding treasury shares), of which the aggregate number of Shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued Shares (excluding treasury shares) at the time the relevant resolution for the 2015 Share Issue Mandate was passed, for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit. Accordingly, the Company will not be seeking specific approval from Shareholders for the Rights cum Warrants Issue.

As of the date of this Announcement, the Company has an existing issued and paid up share capital of approximately HKD5,111,543.99 divided into 511,154,399 Shares ("**Existing Share Capital**"). In the event that there is no change to the Existing Share Capital as of the Books Closure Date, and calculated based on the Proposed Ratio, the Company will issue up to 204,461,760 Rights Shares with up to 51,115,440 Warrants exercisable into 51,115,440 New Shares pursuant to the Rights cum Warrants Issue.

In the event that up to 1,951,431,049 Placement Shares are issued by the Company to Advance Opportunities Fund (“**AOF**”) pursuant to the Placement Agreement¹ dated 2 October 2014 between the Company and AOF on or before the Books Closure Date, the number of Rights Shares and Warrants to be issued by the Company will be, calculated based on the Proposed Ratio, adjusted accordingly.

- 1.3 **No Underwriting Commitment.** No underwriting commitment has been arranged with any financial institution for the Rights Cum Warrants Issue. The Company has decided to proceed with the Rights cum Warrants Issue on a non-underwritten basis as the Company believes that the Issue Price of S\$0.012 for each Rights Share and the Exercise Price of S\$0.016 for each Warrant are sufficiently attractive. Further, the Board is of the opinion that there is no minimum amount which must be raised from the Rights cum Warrants Issue. Hence, in view of the above and the savings enjoyed for not having to bear underwriting fees, the Company has decided to proceed with the Rights cum Warrants Issue on a non-underwritten basis.

2. PRINCIPAL TERMS OF THE RIGHTS CUM WARRANTS ISSUE

- 2.1 **Basis of Provisional Allotment.** The Rights cum Warrants Issue is proposed to be made on a renounceable basis to Entitled Shareholders (as defined in paragraph 5.1 below) on the basis of four (4) Rights Shares and one (1) Warrant for every ten (10) Shares held by Shareholders as at the Books Closure Date. For the avoidance of doubt, the basis of allotment of the Warrants is one (1) Warrant for every four (4) Rights Shares subscribed, fractional entitlements to be disregarded.
- 2.2 **Issue Price and Exercise Price.** The proposed Issue Price of S\$0.012 for each Rights Share and the proposed Exercise Price of the Warrant of S\$0.016 for each New Share represent a discount of approximately 52.0% and 36.0% respectively to the closing price of S\$0.025 per Share on the SGX-ST on 13 May 2015, being the last trading day of the Shares on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) preceding this Announcement.
- 2.3 **Form and Subscription Rights of the Warrants.** The Warrants will be issued in registered form and will be subject to the terms and conditions to be set out in an instrument by way of a deed poll constituting the Warrants (“**Deed Poll**”). Each Warrant will carry the right to subscribe for one (1) New Share at the Exercise Price of S\$0.016 for each New Share at any time during the period commencing on and including the date of the issue of the Warrants and expiring at 5.00 p.m. on the date immediately preceding the first (1st) anniversary of the date of the issue of the Warrants (“**Exercise Period**”), unless such date is a date on which the register of members of the Company (“**Register of Members**”) and register of holders of warrants (“**Register of Warrant**”) is closed or is not a day on which the SGX-ST is open for securities trading (a “**Market Day**”), in which case the Exercise Period shall end on the date prior to the closure of the Register of Members and Register of Warrants of the Company or the immediate preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Warrants may be closed pursuant to the terms and conditions of the Warrants as set out in the Deed Poll. The

¹ For details on the “**Placement Shares**” and “**Placement Agreement**”, please refer to the circular issued by the Company to the shareholders dated 20 March 2015, a copy of which is available on the SGXNET.

Warrants which have not been exercised after the expiry of the Exercise Period shall lapse and cease to be valid for any purpose.

2.4 **Detachability and Trading of the Warrants.** The Warrants are immediately detachable from the Rights Shares upon issue, will be issued in registered form and will be listed and traded separately on the SGX-ST under the book-entry (scripless) settlement system upon the listing and quotation of the Warrants on the SGX-ST, subject to, amongst others, there being an adequate spread of holdings of the Warrants to provide for an orderly market in the Warrants.

2.5 **Ranking.**

(a) The Rights Shares with Warrants are payable in full upon acceptance and/or application, and when allotted and issued, will rank *pari passu* in all respects with the Shares then in issue, save for any dividends, rights, allotments or other distributions, the record date for which falls on a date before the allotment and issue of the Rights Shares.

(b) The New Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares then in issue, save for any dividends, rights, allotments or other distributions, the record date for which falls on a date before the allotment and issue of the New Shares.

2.6 **Adjustments.** The Exercise Price and the number of Warrants to be held by each holder of Warrants will, after their issue, be subject to adjustments under certain circumstances to be provided for in the Deed Poll. Such circumstances include, without limitation, consolidation or subdivision of shares, capitalisation issues, rights issue and certain capital distribution. Any such adjustments shall (unless otherwise provided under the Listing Manual of the SGX-ST from time to time) be announced by the Company.

2.7 **Provisional Allotments and Excess Applications.** Entitled Shareholders (as defined in paragraph 5.1 below) will be at liberty to accept (in full or in part), decline or otherwise renounce or trade their provisional allotments of Rights Shares with Warrants and will be eligible to apply for additional Rights Shares with Warrants in excess of their provisional allotments under the Rights cum Warrants Issue.

Fractional entitlements to the Rights Shares with Warrants, if any, will be disregarded and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and allocated to satisfy excess applications for Rights Shares with Warrants (if any) or disposed of or otherwise dealt with in such manner as the Directors, in their absolute discretion, deem fit in the interests of the Company.

In the allotment of excess Rights Shares with Warrants, the Company will allocate the excess Rights Shares with Warrants in a manner deemed fit and appropriate, either proportionately based on (i) the shareholding of the Entitled Shareholders applying for excess Rights Shares with Warrants; or (ii) the number of excess Rights Shares with Warrants applied for by each Entitled Shareholder. The allocation method will be decided based on the results of the Rights Shares with Warrants applications by the Directors after the last date for acceptance and/or excess application and payment for the Rights Shares with Warrants ("**Closing Date**"). Preference will be given to the rounding of odd lots, and Directors and substantial Shareholders who have an interest directly or indirectly in 5% or more of the total number of issued Shares ("**Substantial Shareholders**") and who have control or influence over the Company in connection with the day-

to-day affairs of the Company or the terms of the Rights cum Warrants Issue, or have representation (direct or through a nominee) on the Board will rank last in priority.

2.8 **Offer Information Statement.** The terms and conditions of the Rights cum Warrants Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights cum Warrants Issue will be contained in the offer information statement ("**OIS**"), together with the appropriate application forms and accompanying documents, to be lodged with the Monetary Authority of Singapore ("**MAS**") and to be despatched by the Company to Entitled Shareholders in due course.

2.9 **Scaling down of subscriptions and excess applications.** Depending on the level of subscription for the Rights Shares with Warrants, the Company will, if necessary, scale down the subscription and/or excess applications for the Rights Shares with Warrants by any of the Substantial Shareholders (if such Substantial Shareholder chooses to subscribe for its pro-rata Rights Shares with Warrants and/or apply for excess Rights Shares with Warrants) to avoid placing the relevant Substantial Shareholder and parties acting in concert with it (as defined in The Singapore Code on Takeovers and Mergers (the "**Code**")) in the position of incurring a mandatory general offer obligation under the Code as a result of other Entitled Shareholders not taking up their Rights Shares with Warrants entitlement fully.

3. **RATIONALE FOR THE RIGHTS CUM WARRANTS ISSUE AND THE PROPOSED USE OF PROCEEDS**

3.1 The Company is proposing to undertake the Rights cum Warrants Issue to strengthen its cash position and to improve the shareholders' value and the market liquidity of the Shares.

3.2 Based on the Existing Share Capital and assuming (i) there is no change to the Existing Share Capital on the Books Closure Date; (ii) the Entitled Shareholders fully subscribe for their entitlements; and (iii) the Warrants are fully exercised into New Shares, the proceeds ("**Proceeds**") that may be raised from the Rights Cum Warrants Issue (calculated based on the Issue Price of S\$0.012 per Rights Share and Exercise Price of S\$0.016 per New Share) is expected to be approximately S\$3,271,388.00.

| Proposed use of Proceeds | Estimated Amount (S\$) | Percentage of Proceeds (%) |
|---|-----------------------------------|-----------------------------------|
| Estimated expenses and fees | 200,000 | 6.1 |
| General working capital | 2,189,972 | 66.9 |
| Funding for short-term and strategic business investments | 881,416 | 26.9 |
| Total | 3,271,388 | 100.0 |

- 3.3 Pending the deployment of the Proceeds, such Proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis, as the Board may in its absolute discretion deem fit.

4. **CONDITIONS OF THE RIGHTS CUM WARRANTS ISSUE**

The Rights cum Warrants Issue is subject to the following:

- (a) the receipt of in-principle approval from the SGX-ST and such approval not having been withdrawn or revoked on or prior to the Closing Date for the dealing in, listing of and quotation for the Rights Shares, the Warrants and the New Shares on the Official List of the SGX-ST and, if such approval is granted subject to conditions, such conditions being acceptable to the Company;
- (b) the lodgement of the OIS, together with all other accompanying documents (if applicable), to be issued by the Company in connection with the Rights cum Warrants Issue, with the MAS;
- (c) the Proposed Capital Reorganisation (as defined and the details of which have been provided in the Company's circular dated 20 March 2015²) becoming effective upon, *inter alia*, registration of the order of the Grand Court of the Cayman Islands and other relevant documents with the Registrar of Companies in the Cayman Islands; and
- (d) all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Rights cum Warrants Issue and to give effect to the Rights cum Warrants Issue being obtained and not having been revoked or amended before the Closing Date.

An application will be made by the Company to the SGX-ST for the approval for listing of and quotation for the Rights Shares, the Warrants and the New Shares on the Official List of the SGX-ST and an appropriate announcement on the outcome of the application will be made in due course.

5. **ELIGIBILITY TO PARTICIPATE IN THE RIGHTS CUM WARRANTS ISSUE**

- 5.1 **Entitled Shareholders.** The Rights cum Warrants Issue is proposed to be offered to Shareholders whose registered addresses with the Company's share registrar or the Central Depository (Pte) Limited ("**CDP**"), as the case may be, are in Singapore as at the Books Closure Date, or who have, at least three (3) Market Days prior to the Books Closure Date, provided to the Company's share registrar or CDP, as the case may be, addresses in Singapore for the service of notices and documents ("**Entitled Shareholders**"). They will be entitled to participate in the

² A copy of the Company's circular dated 20 March 2015 is available on the SGXNET.

Rights cum Warrants Issue and receive the OIS, together with the appropriate application forms and accompanying documents at their respective Singapore addresses.

Entitlements to subscribe for the Rights Shares with Warrants will be renounceable and tradable on the Main Board of the SGX-ST in compliance with the rules of the SGX-ST Listing Manual.

- 5.2 **Foreign Shareholders.** For practical reasons and in order to avoid any violation of relevant legislations applicable in countries other than Singapore, the Rights cum Warrants Issue will only be made in Singapore and the Rights Shares with Warrants will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior thereto, provided to the Company's share registrar or CDP, as the case may be, addresses in Singapore for the service of notices and documents (the "**Foreign Shareholders**") and the OIS and its accompanying documents will not be despatched to Foreign Shareholders. Accordingly, no provisional allotments of the Rights Shares with Warrants will be made to Foreign Shareholders and no purported acceptance thereof or application will be valid.
- 5.3 **Foreign Purchasers.** The OIS and its accompanying documents will also not be despatched to persons purchasing the provisional allotments of Rights Shares with Warrants through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore ("**Foreign Purchasers**"). Foreign Purchasers who wish to accept the provisional allotments of the Rights Shares with Warrants credited by CDP to their securities accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore. The Company further reserves the right to reject any acceptances of the Rights Shares with Warrants and/or applications for excess Rights Shares with Warrants where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction.
- 5.4 **Provisional Allotments of Rights Shares with Warrants to be sold "nil-paid".** If it is practicable to do so, the Company may, at its absolute discretion, arrange for the provisional allotments of Rights Shares with Warrants, which would otherwise have been provisionally allotted to Foreign Shareholders, to be sold "nil-paid" on the SGX-ST as soon as practicable after dealings in the provisional allotments of Rights Shares with Warrants commence. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after taking into account expenses to be incurred.

The net proceeds from all such sales, after deduction of all expenses therefrom, will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them at their own risk by ordinary post without interest or any share of revenue or other benefit arising therefrom, provided that where the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit in the interests of the Company and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP, the Central Provident Fund ("**CPF**") Board or the Company's share registrar, or their respective officers, in connection therewith.

Where such provisional allotments of Rights Shares with Warrants are sold "nil-paid" on the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company,

CDP, CPF Board or the Company's share registrar, or their respective officers, in respect of such sales or the proceeds thereof, the provisional allotments of Rights Shares with Warrants or the Rights Shares with Warrants represented by such provisional allotments.

If such provisional allotments cannot be sold or are not sold on the SGX-ST as aforesaid for any reason by such time as the SGX-ST shall have declared to be the last day for trading in the provisional allotments of the Rights Shares with Warrants, the Rights Shares with Warrants represented by such provisional allotments will be issued to satisfy excess applications or dealt with in such manner as the Directors may, in their absolute discretion, deem fit and no Foreign Shareholder shall have any claim whatsoever against the Company, CDP, CPF Board or the Company's share registrar, or their respective officers, in connection therewith.

6. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or Substantial Shareholders has any direct or indirect interests in the Rights cum Warrants Issue (other than through their respective shareholdings in the Company).

7. RESPONSIBILITY STATEMENT

The Directors (including any Director who may have delegated detailed supervision of the preparation of this Announcement) 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, the facts stated and opinions expressed herein fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading. Where information 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.

BY ORDER OF THE BOARD
CACOLA FURNITURE INTERNATIONAL LIMITED

ZHOU ZHUO LIN
Chief Executive Officer

14 May 2015