

CACOLA FURNITURE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands)

Company Registration Number:

179492

("Company")

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

1. INTRODUCTION

1.1. 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 up to 6,446,991,796 new ordinary shares in the issued and paid-up share capital of the Company ("**Rights Share(s)**") at an issue price of S\$0.00475 for each Rights Share ("**Issue Price**") on the basis of four (4) Rights Shares for every one (1) existing ordinary share in the capital of the Company held by the Entitled Shareholders (as defined in paragraph 5.1 below) as at a time and date to be determined by the Directors ("**Books Closure Date**"), for purposes of determining the entitlement of the Entitled Shareholders, fractional entitlements to be disregarded ("**Rights Issue**").

1.2 The Rights Issue is subject to, amongst others :

- (a) the completion of the allotment and issue of the Settlement Shares (as defined in the announcement by the Company on 18 April 2016) to the Creditors (as defined in the announcement by the Company on 18 April 2016) as announced by the Company on 18 April 2016 ("**Proposed Placement**"); and
- (b) the approval of the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting of the Company ("**EGM**") to be convened.

The number of Rights Shares to be issued are calculated on the assumption of the completion of the Proposed Placement which results in the Company having a total of 1,611,747,949 issued and fully paid-up ordinary shares in the capital of the Company.

1.3 No underwriting commitment has been arranged with any financial institution for the Rights Issue. The Company has decided to proceed with the Rights Issue on a non-underwritten basis as the Company believes that the Issue Price for each Rights Share subscribed is sufficiently attractive. Further, the Board is of the opinion that there is no minimum amount which must be raised from the Rights 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 Issue on a non-underwritten basis.

2. PRINCIPAL TERMS OF THE RIGHTS ISSUE

- 2.1 The Rights 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 for every one (1) existing ordinary share in the capital of the Company held by the Entitled Shareholders, fractional entitlements to be disregarded.
- 2.2 The proposed Issue Price of S\$0.00475 for each Rights Share represents a discount of approximately 32% to the closing price of S\$0.007 per ordinary share in the capital of the Company ("**Shares**") for trades done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 3 May 2016, being the last trading day of the Shares on the SGX-ST preceding this announcement (the "**Closing Price**").
- 2.3 For illustration purposes, for every existing 1,000 Shares held by a Shareholder who is an Entitled Shareholder (as defined in paragraph 5.1 below), he or she will be at liberty to accept, decline, renounce or trade his or her provisional allotment of 4,000 Rights Shares.
- 2.4 The Rights Shares are payable in full upon acceptance and/or application and when allotted 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.
- 2.5 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 (during the provisional allotment trading period prescribed by the SGX-ST) and will be eligible to apply for additional Rights Shares in excess of their provisional allotments under the Rights Issue. Fractional entitlements to the Rights Shares, if any, will be disregarded.
- 2.6 In the allotment of excess Rights Shares, the Company will allocate the excess Rights Shares in a manner deemed fit and appropriate, either proportionately based on (a) the shareholding of the Entitled Shareholders applying for excess Rights Shares; or (b) the number of excess Rights Shares applied for by each Entitled Shareholder. The allocation method will be decided based on the results of the applications for the Rights Issue by the Directors after the last date for acceptance and/or excess application and payment for the Rights Shares ("**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 Issue, or have representation (direct or through a nominee) on the Board will rank last in priority.
- 2.7 The terms and conditions of the Rights Issue are subject to such changes as the Directors may deem fit. The final terms and conditions of the Rights 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.

2.8 Depending on the level of subscription for the Rights Issue, the Company will, where necessary, scale down the subscription and/or excess applications for the Rights Share by any of the Substantial Shareholders (if such Substantial Shareholder chooses to subscribe for its pro-rata Rights Shares and/or apply for excess Rights Shares) 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 fully.

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

3.1 The Company is proposing to undertake the Rights Issue to strengthen its cash position for working capital and potential acquisition purposes and to enhance shareholders’ value in the Company.

3.2 Based on the existing issued and paid up Shares of the Company and assuming (a) completion of the Proposed Placement which would result in the Company having 1,611,747,949 issued and paid up Shares; and (b) the Entitled Shareholders fully subscribe for their entitlements, the proceeds (“Proceeds”) that may be raised from the Rights Issue (calculated based on the Issue Price of S\$0.00475 per Rights Share) is expected to be approximately S\$30,623,211.

Proposed use of Proceeds	Estimated amount S\$	Percentage of Proceeds (%)
Estimated expenses and fees	S\$200,000	0.65
General working capital	S\$3,062,321.10	10
Funding acquisitions	S\$27,360,889.9	89.35
Total	S\$30,623,211	100.0

3.3 Pending the deployment of the Proceeds, such Proceeds may be deposited with authorised banks and/or financial institutions for the purposes as disclosed in item 3.2.

4. CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is subject to, amongst others, 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 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 lodgment of the OIS, together with all other accompanying documents (if applicable), to be issued by the Company in connection with the Rights Issue, with the MAS;
- (c) the completion of the Proposed Placement; 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 Issue and to give effect to the Rights Issue being obtained and not having been revoked or amended before the Closing Date.

The circular containing information on the Rights Issue will be despatched to Shareholders in due course.

An application will be made by the Company to the SGX-ST for the approval for listing of and quotation for the Rights 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 ISSUE

- 5.1 The Rights 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 Rights 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 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 For practical reasons and in order to avoid any violation of relevant legislations applicable in countries other than Singapore, the Rights Issue will only be made in Singapore and the Rights Shares 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 will be made to Foreign Shareholders and no purported acceptance thereof or application will be valid.
- 5.3 The OIS and its accompanying documents will also not be despatched to persons purchasing the provisional allotments of Rights Shares 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 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 where it believes, or has reason to believe, that such acceptances and/or applications may violate the applicable legislation of any jurisdiction.

6. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or Substantial Shareholders has any direct or indirect interests in the Rights 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 MIN ZONG
Executive Director and Chief Executive Officer

3 MAY 2016