CACOLA FURNITURE INTERNATIONAL LIMITED
(Incorporated in the Cayman Islands)
Company Registration No. 179492

THE PROPOSED ACQUISITION OF 60% OF THE ENTIRE ISSUED AND PAID-UP CAPITAL OF A & G INTERNATIONAL HOLDINGS LIMITED

1. INTRODUCTION

The Board of Directors (the "**Board**") of Cacola Furniture International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company has on 27 October 2016 entered into a sale and purchase of shares agreement ("**SPA**") with (i) Nam Cheung Hoi, Arthur ("**Nam**"); (ii) Song Sumei ("Song") (Nam and Song shall be jointly and severally referred to as the "**Vendors**"); and (iii) Tse Shu Yan (the "**Arranger**"), to acquire **60%** of the entire issued and paid-up capital of A & G International Holdings Limited (the "**Sale Shares**"), from the Vendors ("**Proposed Acquisition**"). The Company and the Vendors had agreed to the Proposed Acquisition through the referral services of the Arranger.

2. KEY TERMS OF THE PROPOSED ACQUISITION

2.1 Consideration. The total consideration to be paid by the Company to the Vendors for the Sale Shares shall be equal to an amount of S$3,720,000 (the "**Consideration**") to be satisfied by way of :

(a) cash portion equivalent to such amount to be agreed between the Vendors and the Company which shall not be less than 50% of the Consideration (the "**Cash Portion**"). The Cash Portion shall be funded through the rights issue being carried out by the Company and/or such other fund raising exercise to be carried out by the Company; and

(b) the allotment and issuance of such number of new ordinary shares in the capital of the Company (the "**Consideration Shares**") at an aggregate issue price per Consideration Share of S$0.0055 (the "**Issue Price**") calculated on the balance of the Consideration after deducting the Cash Portion. Rule 1003(3) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") states that where consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher. Based on the audited financial statements of the Company for the financial year ended 31 December 2015 and the issued ordinary shares as at the date of this announcement, the net asset value ("**NAV**") per ordinary share of the Company is approximately S$0.001 per ordinary share. The market value of the Company's ordinary shares which is based on the weighted average price of the Company's ordinary shares transacted on the market day preceding the date of the SPA, being 27 October 2016 is S$0.005. Therefore, the Company has used the market value of the Company's ordinary shares to determine the value of the Consideration Shares.

The Consideration was arrived at after arm's length negotiations and on a willing buyer and willing seller basis, taking into account, inter alia, the synergies between the Company and A & G International Holdings Limited (the "**Target**") and its subsidiary (the Target and its subsidiary shall be referred to as the "**Target Group**") and the business prospects of the Target Group.

2.2 Arranger Fees. After completion of the sale and purchase of the Sale Shares, an amount which is equivalent to 5% of the Consideration shall be payable by the Company to the Arranger (the "**Arranger Fees**"). The Company and the Arranger shall agree on whether such Arranger Fees shall be paid in cash and/or allotment and issuance of new ordinary shares in the capital of the Company. The Arranger is a businessman engaged in furniture and merchandising business in China and Hong Kong. The Arranger was involved in the introduction and structuring of this transaction.

2.3 Conditions Precedent. Completion is conditional upon certain customary conditions precedent having been satisfied, fulfilled and/or waived on or before 30 April 2017 (or such other date as the Company, the Arranger and the Vendors may agree in writing) ("**Long-Stop Date**"), including but not limited to:

(a) the Company being satisfied in its sole discretion with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the Company and/or its advisers on the members of the Target Group, including without limitation the title to and the status and condition of any properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations, records, financial position, accounts, results, legal and corporate structure, its subsidiaries and associated companies;

(b) all necessary requirements under the Listing Manual of the SGX-ST and all necessary consents or approvals (if any) being granted by third parties or governmental or regulatory bodies or competent authorities having jurisdiction over the acquisition of the Sale Shares or the transactions contemplated (including without limitation, the consent or approval of the SGX-ST (as applicable) in respect of any circular of the Company) and where any such consent or approval is subject to any conditions, such conditions being reasonably acceptable to the party on which they are imposed, and if such conditions being fulfilled before completion and such consents or approvals not being revoked or repealed on or before completion;

(c) the receipt of approvals of the respective board of directors of the Company and the Target for the transfer of the Sale Shares;

(d) the Company receiving any necessary approvals from its shareholders at an extraordinary general meeting to be convened, for : (a) the acquisition of the Sale Shares for the Consideration; (b) the allotment and issue of the Consideration Shares at the Issue Price and where applicable, the transfer of controlling interest in the Company due to such allotment and issue of Consideration Shares; and (c) where applicable, the allotment and issue of such number of new Shares which are to be issued to the Arranger at the Issue Price as payment of the Arranger Fees;

(e) listing and quotation notice being received from the SGX-ST for the dealing in, listing of and quotation for the Consideration Shares on the Mainboard and where applicable, the listing of and quotation for such number of new Shares which are to be issued to the Arranger at the Issue Price as payment of the Arranger Fees and where such listing and quotation notice is obtained subject to any conditions, such conditions being reasonably acceptable to the Vendors, the Arranger (where applicable) and the Company as confirmed by these parties;

(f) the appointment of such directors nominated by the Company to form part of the Target's board of directors;

(g) there being no adverse change (as determined by the Company in its sole and absolute discretion) in the global economy and the prospects, operations or financial condition of any of the members of the Target Group occurring on or before completion;

(h) no governmental authority taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:

(i) make the transactions contemplated and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;

(ii) render the Company unable to purchase all or any of the Sale Shares in the manner set out in the SPA; and/or

(iii) render the Vendors unable to dispose of all or any of their Sale Shares in the manner set out in the SPA;

(i) the completion of the rights issue of the Company which includes the listing and quotation of any issued rights shares on the Mainboard;

(j) the Vendors and the Company agreeing in writing on the amount of Cash Portion payable out of the Consideration and the Company and the Arranger agreeing on the mode and manner of payment of the Arranger Fees;

(k) the Company being able to raise sufficient funds for the Cash Portion;

(l) the Vendors procuring the completion of the of the acquisition of 100% of the entire issued and paid-up share capital of A & G Furniture Co. Ltd by the Target and ensuring full payment of the consideration for such acquisition;

(m) the net profit after tax of the Target Group based on the audited accounts of the Target Group for the financial year ending 31 December 2016 being not less than **Singapore Dollars One Million (S$1,000,000)**; and

(n) the Proposed Acquisition not being deemed to be a very substantial acquisition or reverse takeover by the SGX-ST.

2.4 Restriction. The Vendors irrevocably undertake to the Company that, subject to the terms of the SPA, it will not sell, transfer, dispose, charge, mortgage, pledge or otherwise deal with the Consideration Shares for such period of time as may be stipulated by the SGX-ST and in any event not before the 6-month anniversary of completion.

3. TARGET GROUP

Upon completion of the acquisition by the Target of 100% of the entire issued and paid-up share capital of A & G Furniture Co. Ltd, the Target Group would be an Original Design Manufacturer (ODM) and exporter of furniture. Based on the audited accounts for the year ended 31 December 2015, the net tangible asset value of the Target Group is RMB4,800,000.

4. RATIONALE FOR THE PROPOSED ACQUISITION

A & G Furniture Co. Ltd. (A&G) was establish in 2007 and is accredited as one of the authorised export furniture manufacturers of Calia Italia, a leading premium Italian leather sofa brand in Europe. Apart from being an integral manufacturing and logistic partner of Calia Italia, A & G also produces its own brand of furniture which are exported to Australia and Korea.

The Board believes that the Proposed Acquisition will

- enhance the quality control and know-how for the Company's existing facilities
- streamline the existing operation of the Company
- strengthen the financial performance of the Company
- expand the distribution network and clientele of the Company
- potential business opportunity by co-operation with reputable brand/operator

The Vendors together with A & G Management will bring more than a decade of sofa production, import/export experiences to the Group and will enhance the Group overall business strategy. A&G designs and manufactures quality leather sofa sets mainly for the export market. Being quality control directly by the Italians, A&G will also bring technical knowledge to improve and enhance the Group overall technical expertise. The Vendors have more than 10 years' experience in manufacturing, importing and exporting of furniture. The Vendors were identified through the referral services of the Arranger and neither the Vendors nor the Arranger have any connection (including business dealings) with the Company, its directors and its controlling shareholders.

Given the synergy and efficiencies which will be created by the addition of the Target Group to the business of the Company, the Board believes that the Proposed Acquisition will enhance shareholder value through a growth in earnings, profits and share price over the long term, and therefore is in the interests of and beneficial to the Group.

5. MAJOR TRANSACTION

5.1 Relative Figures. The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (d) of the Listing Manual of the SGX-ST are as follows:

Rule 1006(a)	
Net asset value of assets disposed of, compared with the Group's net asset value	Not applicable.
Rule 1006(b)	
Net profit attributable to the assets acquired, compared with the Group's net profit.	-73.98%[1]
Rule 1006(c)	
The value of the Consideration Shares compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares.	20.98%[2]
Rule 1006(d)	
Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	20.98[3]

Notes:

(1) The net profit attributable to the Target Group for the financial year ended 31 December 2015 was RMB2,138,000, whereas the Group recorded a loss after tax of RMB1,734,000

for the financial year ended 31 December 2015. Net profit/(loss) is defined as profit or loss before income tax, minority interest and extraordinary items.

(2) Based on the weighted average price of the Company's ordinary shares transacted on the market day preceding the date of the SPA of S$0.005 and 50% of the Consideration being paid through the allotment and issuance of new ordinary shares in the capital of the Company at the Issue Price, the 338,181,818 Consideration Shares have a market value of approximately S$1,690,909. Based on the audited financial statements of the Company for financial year ended 31 December 2015 and the issued ordinary shares as at the date of this announcement, the NAV per share of the Company is approximately S$0.001 per share. The NAV represented by the Consideration Shares would amount to approximately S$338,182. Pursuant to Rule 1003(3) of the Listing Manual, the market value represented by the Consideration Shares was used to compute the relative figures for Rule 1006(c).

(3) Based on the 338,181,818 Consideration Shares to be transferred as part of the consideration for the Proposed Acquisition and the 1,611,747,949 existing issued ordinary shares in the share capital of the Company excluding treasury shares, as at the date of this announcement.

5.2 Major Transaction. The Board notes that the relative figures under [Rules 1006(b)] (read with Rule 1007) of the Listing Manual exceed 20%. Accordingly, the Proposed Acquisition constitutes a "Major Transaction" under Chapter 10 of the Listing Manual of the SGX-ST, and shall be subject to shareholders' approval.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 Assumptions

The pro forma financial effects of the Proposed Acquisition set out below are purely for illustration purposes only and do not reflect the actual future financial situation of the Company or the Group after completion of the Proposed Acquisition. The pro forma financial effects of the Proposed Acquisition presented below :

(a) have been calculated on the assumption that 50% of the Consideration is payable by the allotment and issuance of Consideration Shares;

(b) have been prepared based on the audited consolidated financial statements of the Group and the unaudited consolidated pro forma financial statements of the Target Group for the financial year ended 31 December 2015;

(c) have not taken into account the expenses for the Proposed Acquisition; and

(d) assumes that the Proposed Acquisition had been completed (i) on 31 December 2015 for illustrating the financial effects on the earnings per share ("**EPS**") of the Group; and (ii) on 31 December 2015 for illustrating the financial effects on the net tangible asset ("**NTA**") per share of the Group.

(e) S$1: RMB4.87

6.1 NTA per share

NTA		
	Before the Proposed Acquisition	**After the Proposed Acquisition**
Consolidated NTA attributable to Shareholders (S$'000)	1,800	3,491
Number of issued Shares	709,013,304	1,047,195,122
NTA per Share (S$ cents)	0.25	0.33

6.2 EPS

EPS (cents)		
	Before the Proposed Acquisition	**After the Proposed Acquisition**
Consolidated profit/(loss) after taxation (S$'000)	(356)	(102)
Weighted average number of shares for the year ended 31 December 2015	587,480	588,407
EPS/(LPS) (cents)	(0.06)	(0.02)

7. INTERESTS OF DIRECTORS AND/OR CONTROLLING SHAREHOLDERS

None of the directors (other than in his capacity as a director or shareholder of the Company) and controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

To the best of the knowledge of the Board, there are no controlling shareholders in the Company (other than in their respective capacities as a shareholder of the Company) who has any interest, direct or indirect, in the Proposed Acquisition.

8. DOCUMENTS FOR INSPECTION

A copy of the Share Purchase Agreement will be made available for inspection during normal business hours at the registered office of the Company at 8 Temasek Boulevard, #20-03 Suntec Tower Three, Singapore 038988 for three (3) months from the date of this Announcement.

9. SERVICE CONTRACTS

There are no directors who are proposed to be appointed as a director of the Company in connection with the Proposed Acquisition.

10. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. There is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there

are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

11. RESPONSIBILITY STATEMENT

The directors of the Company ("**Directors**") (including those 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 (other than information relating to the Target Group) and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure al all material facts about the Proposed Acquisition (other than information relating to the Target Group), 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 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 the announcement in its proper form and context.

BY ORDER OF THE BOARD

ZHOU MIN ZONG
CHIEF EXECUTIVE OFFICER
27 October 2016