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

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(1) CONVERTIBLE LOAN OF S$1,000,000
(2) MEMORANDUM OF UNDERSTANDING

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1. CONVERTIBLE LOAN OF S$1,000,000

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 11 December 2015 entered into a convertible loan agreement ("**Loan Agreement**") with Ge Jian Ming (the "**Lender**") pursuant to which the Lender has agreed to extend a loan in the aggregate principal amount of S$1,000,000 to the Company ("**Loan**").

It is envisaged that the Loan is convertible, at the option of the Lender, into new ordinary shares of the Company (the "**Conversion Shares**") at a conversion price determined in accordance with the terms and conditions of the Loan Agreement.

2. ABOUT THE LENDER

Shareholders should note that information relating to the Lender in this paragraph and elsewhere in this Announcement was provided by the Lender. The Company and the Directors have not independently verified the accuracy and correctness of such information herein.

The Lender is a private investor and prominent Chinese businessman.

The Lender is not a person to whom the Company is prohibited from issuing shares to pursuant to Rule 812 of the SGX-ST Listing Manual – Mainboard ("**Listing Manual**"). To the best of the knowledge of the Directors, save as otherwise disclosed, the Lender has no connections (including any business relationship) with the Company and the Directors and its substantial shareholders.

3. PURPOSE OF THE LOAN

The entire proceeds net of expenses and transaction costs ("**Net Proceeds**") shall be utilised to fund the proposed acquisition of businesses and assets by the Company. In the event the Net Proceeds initially allocated for the purpose set out above are not fully applied towards such use for any reasons, the Company shall use the remaining Net Proceeds for working capital of the Company and its subsidiaries and/or for such other purposes as the Company in its discretion may deem fit.

Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with banks and/or financial institutions, invested in short-term money markets or debt instruments or for any other purpose on a short-term basis as the Directors may, in their absolute discretion, deem fit from time to time.

The Company will make periodic announcements on the utilisation of the Net Proceeds, after they have been materially disbursed.

4. KEY TERMS OF THE LOAN

4.1 Loan Quantum

The Loan Agreement is for a Loan in the aggregate principal amount of Singapore Dollars one million only (S$1,000,000).

4.2 Term

The Loan is repayable at a date falling immediately after five (5) years from the date of disbursement of the Loan ("**Disbursement Date**"). The Disbursement Date shall, subject to the fulfilment, satisfaction or waiver (as the case may be) of the Conditions Precedent, be no later than five (5) business days from the date of the Loan Agreement.

4.3 Interest

The Loan shall bear a simple interest on the principal outstanding amount of the Loan at the rate of 6.0% per annum (the "**Interest**").

4.4 Conditions Precedents

The disbursement of the Loan is conditional upon the following ("**Conditions Precedent**") occurring on or being confirmed, fulfilled or procured (as the case may be) by the Company, on or before the Disbursement Date:

(i) the receipt by the Lender of a certified true copy of the resolution of the Board of the Company approving the Loan and the terms of the transactions;

(ii) all governmental and/or regulatory consents and approvals, if necessary, for the transactions contemplated under the Loan Agreement being obtained, and not withdrawn or amended; and

(iii) all the representations and warranties of each of the parties being accurate and correct in all material respects at, and as if made on, the Disbursement Date, and each of the parties shall have materially performed all of its undertakings or obligations hereunder to be performed on or before the respective Disbursement Date.

4.5 Repayment

The Loan is repayable on:

(i) a date falling immediately after five (5) years from the Disbursement Date; or

(ii) the occurrence of an Event of Default (as defined in paragraph 4.9 of this Announcement),

or such other date as may be mutually agreed by the Company and the Lender in writing ("**Repayment Date**").

On the Repayment Date, the Company may, acting in its sole discretion, repay any part of the whole of the Loan (including any accrued Interest calculated on a pro-rata basis up to the respective Repayment Date) by any one or a combination of the following means:

(i) in cash; or

(ii) by way of an issuance of Conversion Shares.

4.6 **Conversion**

The Lender may, acting in his sole discretion, at any time when the Loan remains outstanding, convert the whole or any part of the Loan (and any accrued Interests thereunder) into duly authorised, validly issued, fully-paid and unencumbered Conversion Shares without payment of any cash or other consideration ("**Loan Conversion Request**", and such date on which the Loan Conversion Request has been received by the Company, referred to as, the "**Loan Conversion Request Date**").

4.7 **Voluntary Prepayment**

The Company may, acting in its sole discretion, at any time when the Loan remains outstanding, and subject to it giving the Lender not less than five (5) clear market days prior written notice of its intention, prepay the whole or any part of the Loan (including any accrued Interest calculated on a pro-rata basis up to the date on which such repayment is made) in cash. The exercise of the right by the Lender under paragraph 4.6 above at any time prior to the voluntary prepayment of the Loan by the Company shall preclude the right of prepayment by the Company under this paragraph 4.7.

4.8 **Terms of the Conversion**

On the receipt of the Loan Conversion Request, or, if the Company so chooses to make any repayment by way of Conversion Shares, on the Repayment Date, as the case may be, the Company shall repay the Loan to the Lender (or to such person(s) as the Lender may direct/nominate) in the following manner:

(i) the Company shall use its best endeavours to ensure that such number of Conversion Shares in the capital of the Company shall be allotted, issued and credited to the securities account of the Lender and/or his nominee(s) as soon as reasonably practicable after the Loan Conversion Request Date, and in any event, no later than the Repayment Date (if applicable), or by such other date as the Parties may agree in writing ("**Conversion Shares Issue Date**");

(ii) where necessary, the Company shall use its best endeavours to seek the approval of the Shareholders of the Company for the allotment and issue of the Conversion Shares at a general meeting of the Company which shall be held as soon as reasonably practicable after the Loan Conversion Request Date, and in any event, no later than the Repayment Date;

(iii) each Conversion Share shall be credited as fully paid on allotment and issue and shall rank *pari passu* in all respects with Shares then in issue except that they shall not rank for any entitlements, dividends, rights, allotments or other distributions (if any), the record date in respect of which falls on or prior to the date of issue of the Conversion Shares; and

(iv) the number of Conversion shares to be issued and allotted by the Company to the Lender and/or his nominee(s) shall be determined as follows (fractional entitlement disregarded):

$$\text{Number of Conversion Shares to be allotted and issued to the Lender} = \frac{\text{Outstanding Loan}}{\text{Repayment Issue Price}}$$

Where:

"**Outstanding Loan**" means the aggregate of the principal amount of the Loan and any accrued Interest, calculated on a pro-rata basis up to the Loan Conversion Request Date; and

"**Repayment Issue Price**" means S$0.00684, subject to any adjustment in the event the Company undertakes a share consolidation which takes effect prior to the Repayment Date or Loan Conversion Request Date, in which case the Repayment Issue Price shall be adjusted as follows:

Repayment Issue Price (adjusted) = S$0.00684 X R

Where "**R**" refers to the share consolidation ratio. For illustrative purposes, in the event a share consolidation is undertaken to consolidate every four (4) Shares into one (1) consolidated share, R shall be equal to 4 and the adjusted Repayment Issue Price shall be S$0.02736.

Upon the allotment and issue of any Conversion Shares, the outstanding Loan shall, on the Conversion Shares Issue Date, be deemed to be repaid by an amount equal to the aggregate of Repayment Issue Price multiplied by the number of Conversion Shares issued by the Borrower.

For the purposes of the Loan Agreement, the agreed exchange rate between the parties is S$1.00: RMB4.57 and HK$1.00:RMB0.83 ("**Agreed Exchange Rate**").

Provided always that the allotment and issuance of the Conversion Shares by the Company is subject to the following being satisfied or waived, as the case may be, as at the Loan Conversion Request date and the Conversion Shares Issue Date:

(i) trading in the Shares has not been suspended or ceased (other than on a voluntary basis by the Company);

(ii) where necessary, the approval of the Shareholders of the Company for the allotment and issue of the Conversion Shares being obtained at a general meeting of the Company; and

(iii) the approval for listing and quotation of the Conversion Shares on the Mainboard of the SGX-ST, and the approval, if granted or obtained subject to any conditions, such conditions being reasonably acceptable to the Company and the Lender, and the approval being in full force and effect as at the Conversion Shares Issue Date.

Based on the unadjusted Repayment Issue Price, up to a maximum of 146,198,830 Shares, representing in aggregate 20.62% of the total issued and paid up shares in the Company as of the date of this Announcement of 709,013,304 shares and 17.10% of the total issued and paid up shares in the enlarged share capital of the Company of 855,212,134 shares, may be issued to the Lender. Pursuant to the allotment and issue of all the Conversion Shares, if any, the Lender and/or its nominees will hold 146,198,830 Conversion Shares, representing approximately 17.10% of the enlarged share capital of the Company.

The Lender is investing in the Company for investment purposes only and has no intention of influencing the management of, or exercising control over, the Company. Accordingly, the Lender will not hold 15% or more of the enlarged share capital of the Company, at any time and from time to time unless the approval of the shareholders is

sought and obtained in a general meeting that will result in a transfer of controlling interest in the Company.

4.9 **Events of Default**

The Loan (if so disbursed) shall be immediately due and payable by the Company upon the occurrence of certain events of default customary to lending arrangements ("**Events of Default**"), provided that the Lender may in writing, inform the Company of the occurrence of such an Event of Default, indicating whether he agrees to waive the Event of Default or otherwise giving the Company five (5) business days from the receipt of the notice notifying of such occurrence to remedy such default ("**Remedy Period**"), provided always that, if such default is not remedied to the reasonable satisfaction of the Lender within the Remedy Period, the Loan (if so disbursed) shall become immediately due and payable by the Company to the Lender upon the expiry of such Remedy Period without further demand from the Lender.

4.10 **Default Interest**

In the event the Company defaults on repayment of the Loan, the Company shall (in addition to the Interest) be liable to pay default interest of 25% per annum ("**Default Interest**") on the outstanding amount of the Loan, calculated on a daily basis from the Loan Conversion Request Date or the Repayment Date (as the case may be) until the full amount of the Loan is repaid by the Company.

Further details of the terms of the Loan Agreement will be set out in the circular (the "**Circular**") to be issued by the Company and to be despatched to the Shareholders in due course for the purpose of obtaining the approval of Shareholders in respect of the proposed allotment and issue of the Conversion Shares during an extraordinary general meeting (the "**EGM**") of the Company to be convened.

5. FINANCIAL EFFECTS OF THE LOAN

The financial effects of the Loan and issuance of the maximum 146,198,830 Conversion Shares as set out below are strictly for illustrative purposes and do not necessarily reflect the actual financial position and results of the Company or its subsidiaries following the entry into the Loan Agreement.

The financial effects of the issuance of the Conversion Shares are prepared on the audited financial statements of the Group for FY2014 and the following assumptions:

(i) the Group's EPS/LPS was computed assuming that the issuance of an aggregate 197,858,905 Shares (as announced by the Company on 9 June 2015, 7 July 2015, 23 July 2015, 6 August 2015, 1 September 2015, 15 October 2015, 21 October 2015) was completed on 31 December 2014;

(ii) the Group's NTA was computed assuming that the issuance of an aggregate 197,858,905 Shares (as announced by the Company on 9 June 2015, 7 July 2015, 23 July 2015, 6 August 2015, 1 September 2015, 15 October 2015, 21 October 2015) was completed on 31 December 2014;

(iii) the maximum 146,198,830 Conversion Shares are issued to the Lender;

(iv) expenses in connection with the Loan are disregarded for the purposes of calculating the financial effects; and

(v) the Agreed Exchange Rate.

5.1 **Share Capital**

Issued and paid-up Share Capital	**As at 31 December 2014**	**As at the date of Announcement[(1)]**	**Assuming the issuance of the Conversion Shares at the Repayment Issue Price[(1)(2)]**
Number of Shares	511,154,399	709,013,304	855,212,134
Share Capital (RMB'000)	46,566	62,675	74,854

Notes:

(1) On 9 June 2015, 7 July 2015, 23 July 2015, 6 August 2015, 1 September 2015, 15 October 2015, 21 October 2015, the Company issued an aggregate 197,858,905 Shares. For more information, please refer to the announcements of the Company available on www.sgx.com. The illustrative financial effect takes into account the 197,858,905 Shares issued.

(2) Assuming the issuance of the Conversion Shares is effective at the end of the comparative reporting period and the effects of the relevant reporting/accounting standards are excluded.

5.2 **Net tangible assets ("NTA")**

	As at 31 December 2014	**Assuming the issuance of the Conversion Shares at the Repayment Issue Price[(1)(2)]**
NTA of the Group (RMB '000)	1,318	13,906
Number of issued Shares	511,154,399	855,212,134
NTA Per Share (RMB cents)	0.26	1.63

Notes:

(1) On 9 June 2015, 7 July 2015, 23 July 2015, 6 August 2015, 1 September 2015, 15 October 2015, 21 October 2015, the Company issued an aggregate 197,858,905 Shares. For more information, please refer to the announcements of the Company available on www.sgx.com. The illustrative financial effect takes into account the 197,858,905 Shares issued.

(2) Assuming the issuance of the Conversion Shares is effective at the end of the comparative reporting period and the effects of the relevant reporting/accounting standards are excluded.

5.3 **Loss per Share ("LPS")**

	As at 31 December 2014	**Assuming the issuance of the Conversion Shares at the Repayment Issue Price[(1)(2)]**
Net loss of the Company and its subsidiaries for FY2014 (RMB '000)	(76,848)	(76,848)
Weighted average number of Shares ('000)	463,638	465,981
Loss per Share (RMB cents)	16.58	16.49

Notes:

(1) On 9 June 2015, 7 July 2015, 23 July 2015, 6 August 2015, 1 September 2015, 15 October 2015, 21 October 2015, the Company issued an aggregate 197,858,905 Shares. For more information, please refer to the announcements of the Company available on www.sgx.com. The illustrative financial effect takes into account the 197,858,905 Shares issued.

(2) Assuming the issuance of the Conversion Shares is effective at the end of the comparative reporting period and the effects of the relevant reporting/accounting standards are excluded.

6. EXTRAORDINARY GENERAL MEETING

The proposed allotment and issue of the Conversion Shares upon the conversion of the Outstanding Loan is subject to the approval of the Shareholders at an EGM to be convened. A circular to the Shareholders containing information on the proposed allotment and issue of the Conversion Shares, together with the notice of the EGM, will be despatched by the Company in due course.

7. MEMORANDUM OF UNDERSTANDING

The Company has on 12 December 2015 also entered into a memorandum of understanding (the "**MOU**") with GR Business Holdings Limited (the "**Vendor**"), in relation to the proposed acquisition of 100% of Armenia Copper Gold Ltd & Goeur Gold Armenia Ltd (the "**Target**") by the Company (the "**Proposed Acquisition**").

The Company's shareholders should note that the Proposed Acquisition remains subject to definitive agreement ("**Definitive Agreement**") and the Company will use its best endeavours to negotiate with the relevant parties in good faith and to sign the Definitive Agreement in respect of the Proposed Acquisition on or before 31 January 2016 (or such later date as the parties may agree).

The Company will provide updates on the Proposed Acquisition to the shareholders of the Company when there are material developments to the Proposed Acquisition.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors (other than in his capacity as Director or Shareholder of the Company, as the case may be) of the Company has any interest, direct or indirect in the Loan or Proposed Acquisition. To the best of the knowledge of the Board, there are no substantial Shareholders in the Company who have any interest, direct or indirect, in relation to the Loan or Proposed Acquisition.

9. APPLICATION TO SGX-ST

The Company will be submitting an application to the SGX-ST for the listing and quotation of the Conversion Shares on the Official List of the SGX-ST at the appropriate time. The Company will make the necessary announcements upon the receipt of the approval-in-principle from the SGX-ST for the listing and quotation of the Conversion Shares on the Official List of the SGX-ST.

10. TRADING CAUTION

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 Loan will be disbursed or that no changes will be made to the terms of the Loan Agreement. There is also no certainty or assurance as at the date of this Announcement that any Definitive Agreement in respect of the Proposed Acquisition will be entered into. 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.

BY ORDER OF THE BOARD

ZHOU ZHUO LIN
CHIEF EXECUTIVE OFFICER
14 December 2015