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

THE PROPOSED CAPITAL REORGANISATION

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1. Introduction

The Board of Directors (the "**Board**") of Cacola Furniture International Limited (the "**Company**") refers to announcement released by the Company on 6 January 2014 in relation to the reorganisation of its share capital ("**Proposed Capital Reorganisation**"). The Board wishes to announce that the Company proposes certain amendments to the Proposed Capital Reorganisation.

Pursuant to the revised Proposed Capital Reorganisation, the par value of the Shares shall be reduced from HKD0.10 to HKD0.01 per Share and thereafter, the authorised share capital of the Company shall be increased from HKD100,000,000 to HKD200,000,000.

2. Capital Structure

As at the date of this announcement, the authorised share capital of the Company is HKD100,000,000 divided into 1,000,000,000 ordinary shares in the share capital of the Company ("**Shares**") with a par value of HKD0.10 each, of which 511,154,399 Shares have been issued and fully paid up. As at the date of this announcement, the total issued and paid up share capital of the Company is HKD51,115,439.90.

3. Proposed Capital Reorganisation

The Proposed Capital Reorganisation shall be effected as follows:

(a) the reduction of the issued and paid-up share capital of the Company ("**Proposed Capital Reduction**"), by the cancellation of the paid-up share capital of the Company to the extent of HKD0.09 on each Share with a par value of HKD0.10 per Share in issue on the effective date of the Proposed Capital Reorganisation ("**Effective Date**") so that each issued Share with a par value of HKD0.10 shall be treated as one fully paid-up share with a par value of HKD0.01 in the capital of the Company as at the Effective Date and any liability of the holders of such Shares to make any further contribution to the share capital of the Company on such Share shall be treated as satisfied;

(b) subject to and forthwith upon the Proposed Capital Reduction taking effect, the cancellation of all the authorised but unissued Shares with a par value of HKD0.10 each in the capital of the Company (which shall include the authorised but unissued Shares resulting from the Proposed Capital Reduction) and the diminution of the authorised share capital of the Company of HKD100,000,000 by

such amount representing the amount of Shares so cancelled and, forthwith upon such cancellation, the increase of the authorised share capital of the Company to HKD200,000,000 by the creation of such number of Shares with a par value of HKD0.01 each in the capital of the Company as shall represent the difference between 20,000,000,000 Shares with a par value of HKD0.01 each and the number of Shares with a par value of HKD0.01 in issue after the Proposed Capital Reduction ; and

(c) subject to and forthwith upon the Proposed Capital Reduction taking effect, the application of the credit amount, currently estimated at HKD46,003,895.91, arising from the Proposed Capital Reduction to a distributable reserve account of the Company where it may be utilised by the directors of the Company in accordance with the Memorandum and Articles of Association of the Company and the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands ("**Cayman Companies Law**").

Upon the Proposed Capital Reorganisation taking effect, and assuming that the total number of Shares in issue on the Effective Date is the same as at the date of this announcement (the "**Latest Practicable Date**"):

(i) the par value of the issued and unissued Shares will be reduced from HKD0.10 to HKD0.01 and the new issued share capital of the Company will be HKD5,111,543.99 divided into 511,154,399 Shares with a par value of HKD0.01 each in the capital of the Company; and

(ii) the authorised share capital of the Company shall be increased from HKD100,000,000 to HKD200,000,000, divided into 20,000,000,000 Shares with a par value of HKD0.01 each.

There will be no change to the total number of issued and paid-up Shares pursuant to the Proposed Capital Reorganisation. The new ordinary Shares with a par value of HKD0.01 each after the Proposed Capital Reorganisation becoming effective will rank *pari passu* in all respects with each other.

The Proposed Capital Reduction will become effective upon, *inter alia*, registration of the order of the Grand Court of the Cayman Islands ("**Court**") and other relevant documents with the Registrar of Companies in the Cayman Islands.

The Proposed Capital Reduction will not entail any amendments to the Memorandum and Articles of Association of the Company.

Shareholders should note that due to possible allotment and issuances of Shares in the Company prior to the Effective Date, including allotments and issuances made pursuant to the Proposed Conversion Shares Issue and the Proposed Placement Shares Issue, the exact number of Shares and the share capital of the Company as at the Effective Date may differ and it is intended that the Proposed Capital Reorganisation shall proceed based on the number of Shares in issuance and the share capital of the Company applicable on such **Effective Date.**

4. Rationale for Proposed Capital Reorganisation

Under the Cayman Companies Law, shares of a Cayman Islands company may not be issued for an amount less than the par value of the shares and a Cayman Islands company may not issue shares exceeding its authorised share capital.

It is noted that the Company's Shares have been trading between S$0.015 and S$0.028 (approximately HKD0.084 and HKD0.157 respectively) during the past three months[1] with a weighted average price of approximately S$0.023 (approximately HKD0.129). In view of the fluctuation in the Share prices in the past six months and the fact that the Shares are trading on the Mainboard around the region of the par value of the Shares, the Directors are of the view that the Company should undertake the Proposed Capital Reduction which will allow the Company the ability to issue shares below the current par value of the Shares of HKD0.10. This will enable the Company to respond promptly and to take advantage of opportunities as and when they arise by utilising, inter alia, the financial platform offered by equity instruments.

As the issued and paid-up capital of the Company of HKD51,115,439.90 already represents more than 50% of the existing authorised share capital of the Company of HKD100,000,000, the Company has only HKD48,884,560.10 of authorised but unissued share capital as at the Latest Practicable Date. Accordingly, in order for the Company to issue new Shares in the future for any fund raising and to facilitate the issuances of new Shares under its fund-raising exercises, the Directors are of the view that increasing the authorised share capital of the Company is in the interest of the Company.

5. Conditions Precedent

The Proposed Capital Reorganisation is conditional upon:

(a) the passing by the Shareholders of a special resolution to approve the transactions contemplated by the Proposed Capital Reorganisation, including the Proposed Capital Reduction, at an extraordinary meeting of the Company ("**EGM**");

(b) an order being made by the Court confirming the Proposed Capital Reduction;

(c) the registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Proposed Capital Reduction and the minute approved by the Court;

(d) compliance with any conditions as may be imposed by the Court in relation to the Proposed Capital Reduction;

(e) compliance with all relevant legal procedures and requirements under the laws of the Cayman Islands and Singapore (if any) to effect the Proposed Capital Reorganisation (including the Proposed Capital Reduction); and

[1] As of 17 March 2015.

(f) the receipt of all necessary approvals (if any) from the regulatory authorities, including, but not limited to, the Singapore Exchange Securities Trading Limited, as may be required in respect of the transactions contemplated by the Proposed Capital Reorganisation, including the Proposed Capital Reduction.

6. Financial Effects

Details of the financial effects of the Proposed Capital Reorganisation are set out below, based on the unaudited financial statements of the Company for the financial year ended 31 December 2014. The financial effects herein are for illustrative purposes only and are not necessarily indicative of the financial position of the Group and may not reflect the actual financial effects of the Proposed Capital Reorganisation.

(a) Share Capital

	Before the Proposed Capital Reorganisation	After the Proposed Capital Reorganisation
Authorised Share Capital		
Number of Shares	1,000,000,000	20,000,000,000
Par Value (HKD)	0.1	0.01
Total (HKD)	100,000,000	200,000,000
Issued and paid-up share capital		
Number of Shares (including treasury share)	511,154,399	511,154,399
Par Value (HKD)	0.10	0.01
Total (HKD)	51,115,439.90	5,111,543.99

Note:

(1) Figures above may be subject to rounding adjustments.

(b) Shareholders' Funds and Reserves of the Company

	Before the Proposed Capital Reorganisation	After the Proposed Capital Reorganisation

	(RMB'000)	(RMB'000)
Share capital	46,566	4,657
Share premium	142,214	184,123[(1)]
Treasury shares	-	-
Capital reserve	150,119	150,119
Exchange reserve	(34,994)	(34,994)
Accumulated losses (as of 31 December 2014)	(339,447)	(339,447)
Equity attributable to equity holders of the Company	(35,542)	(35,542)

Notes:

(1) Figures exclude costs and expenses relating to share issuance and capital reorganisation.

(2) Figures above may be subject to rounding adjustments.

(c) Loss per Share, Net Tangible Assets and Gearing

Other than the relevant expenses incurred or to be incurred in relation to the Proposed Capital Reorganisation, the implementation of the Proposed Capital Reorganisation will not have any effect on the loss per Share, net tangible assets and gearing of the Company and its subsidiaries as no capital will be returned to Shareholders and there will be no change in the number of Shares held by Shareholders immediately after the Proposed Capital Reorganisation. **Accordingly, there will be no dilution to the current shareholdings pursuant to the Proposed Capital Reorganisation.**

More information will be provided to the Shareholders in the circular to be issued for the purpose of seeking the Shareholders' approval at the EGM on, *inter alia*, the Proposed Capital Reorganisation.

7. EGM

The Proposed Capital Reorganisation is subject to the approval of the Shareholders at an EGM to be convened on 13 April 2015. A circular to the Shareholders dated 20 March 2015 ("**Circular**") containing information on the Proposed Capital Reorganisation, together with Notice of the EGM, has been despatched by the Company on 20 March 2015. The Circular and the Notice of EGM are also available on the website of the SGX at www.sgx.com. Shareholders are advised to read the Circular carefully.

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 Proposed Capital Reorganisation. To the best of the knowledge of the Board, none of the substantial shareholders in the Company has any interest, direct or indirect, in relation to the Proposed Capital Reorganisation (other than through their respective shareholdings in the Company).

9. Trading Caution

Shareholders are advised to exercise caution in trading their Shares. **The Proposed Capital Reorganisation will be subject to conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Capital Reorganisation 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.

BY ORDER OF THE BOARD

ZHOU ZHUO LIN
CHIEF EXECUTIVE OFFICER
20 March 2014