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

FUND-RAISING: THE ENTRY INTO THE S$40 MILLION FACILITY AGREEMENT; S$45 MILLION PLACEMENT AGREEMENT AND S$500,000 LOAN AGREEMENT

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1. INTRODUCTION

The board of directors (the "**Board**" or "**Directors**") of Cacola Furniture International Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that the Company has today entered into the following agreements:

(a) a conditional unsecured facility in respect of S$40 million ("**Facility Agreement**") with Advance Opportunities Fund as the lender ("**AOF**" or the "**Lender**") and Advance Capital Partners Limited as the authorised representative and the arranger ("**ACP**" or "**Arranger**");

(b) a conditional multi-tranche placement agreement ("**Placement Agreement**") with AOF as the subscriber (the "**Subscriber**") to allot and issue ordinary shares in the capital of the Company ("Placement Shares") for an aggregate amount of up to S$45 million, and up to a maximum placement limit of 1,951,431,049 Placement Shares; and

(c) a S$500,000 term loan agreement with the Lender upon the terms and conditions of such agreement ("**Bridge Loan Agreement**"),

(together, the "**Proposed Transactions**"). The Proposed Transactions comprise part of the fund-raising initiatives by the Company to, *inter alia*, raise money for working capital and general corporate purposes and the proposed acquisitions to be undertaken by the Company.

2. ABOUT THE LENDER/SUBSCRIBER/AOF AND ACP

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

AOF is an open-ended fund with sub-funds incorporated in the Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Mr. Tan Choon Wee is the principal and sole director of AOF. AOF's investors are mainly based in Asia.

ACP is a Singapore domiciled company incorporated on 5 May 2005 and its sole director and shareholder is Mr. Tan Choon Wee.

On 24 September 2013, AOF had entered into a placement agreement with the Company pursuant to which it subscribed for and was eventually allotted and issued 19,585,000 Shares at an issue price of S$0.03213, at a discount of 10% from the volume weighted average price of S$0.0357 for trades done on 24 September 2013.

On 6 December 2013, AOF and the Company further entered into a conditional subscription agreement for the proposed issue of 2.0% equity-linked redeemable structured convertible notes due 2016 in aggregate principal amount of up to S$60,000,000. As the fulfilment date for the conditions of the issue of the equity-linked notes has passed without such conditions being satisfied, the agreement has

ceased in accordance with the terms and conditions set out thereunder.

To the best knowledge of the Directors, save as disclosed above and in relation to the Proposed Transactions, neither AOF nor ACP has any other connections (including business relationships) with the Company, its directors and substantial shareholders. AOF does not fall within any of the prohibited categories as set out in Rule 812 of the SGX-ST Listing Manual to whom the Company is prohibited from issuing the Shares.

3. KEY TERMS OF THE PLACEMENT AGREEMENT AND THE FACILITY AGREEMENT

3.1 The Facility Agreement

3.1.1 *Total Commitment*

Pursuant to the Facility Agreement, the Lender has made available to the Company unsecured credit facilities of up to S$40,000,000 ("**Total Commitment**"), under two separate facilities (collectively, referred to as the "**Facilities**") in the following manner:

(a) "**Facility A**", in the aggregate principal amount of Singapore Dollars Twenty Million (S$20,000,000), comprising forty equal tranches of Singapore Dollars Five Hundred Thousand (S$500,000) each (and any loan made thereunder, referred to as the "**Facility A Loan**"); and

(b) subject to the exercise by the Company of the Facility B Option (as defined below), "**Facility B**", in the aggregate principal amount of Singapore Dollars Twenty Million (S$20,000,000), comprising twenty equal tranches of Singapore Dollars One Million (S$1,000,000) each (and any loan made thereunder, referred to as the "**Facility B Loan**").

Reference to a "**Loan**" in this Announcement shall refer to either a Facility A Loan, or a Facility B Loan, as the case may be.

3.1.2 *Conditions of Utilisation*

The Utilisation of the Loan is subject to, *inter alia*, the following, being satisfied on the date that a utilisation request ("**Utilisation Request**") is made by the Company, and on each proposed date of utilisation on which such Loan is to be disbursed ("**Utilisation Date**"):

(a) no default has occurred and is continuing or would result from the proposed Loan;

(b) the approval of shareholders of the Company ("**Shareholders**") being obtained for: (i) the entry into the Placement Agreement; (ii) the allotment and issue of the Placement Shares; (iii) the whitewash resolution by the Shareholders who are not related to or acting in concert with the Subscriber, of their waiver of the right to receive a general offer from the Subscriber and their concert parties under the Singapore Code on Take-overs and Mergers ("**Code**") ("**Whitewash Resolution**", and the waiver obtained pursuant thereto, the "**Whitewash Waiver**") and all other matters in relation thereto and in connection therewith and in relation thereto shall have been obtained, and such approval shall not have been amended, withdrawn, revoked or cancelled;

(c) the Company having obtained all necessary approvals and/or consents of all requisite regulatory authorities (including the SGX-ST) in respect of the proposed transactions contemplated under the Placement Agreement, including but not limited to: (i) the allotment and issue of the Placement Shares; (ii) the listing of and quotation for the Placement Shares on the SGX-ST and (iii) such other relevant approvals, in relation thereto and in

connection therewith (the "**Approvals**"); and such Approvals shall not have been amended, withdrawn, revoked or cancelled and, where any of the Approvals were obtained subject to any conditions, such conditions being acceptable to the Lender, and to the extent that any such conditions are required to be fulfilled on or before the Utilisation Date, they are fulfilled;

(d) all the registration and submission required to be carried out by the Company for the transactions contemplated under the Facility Agreement to any authorities shall have been duly carried out; and

(e) as at each Utilisation Date (i) all the representations, warranties, undertakings and covenants of the Company as set out in the Facility Agreement shall be accurate and correct in all respects; and (ii) the Company shall have performed all of its undertakings or obligations hereunder to be performed.

3.1.3 *Facility B Option*

Under the Facility Agreement, the Lender granted the Company an option ("**Facility B Option**"), exercisable at any time from and including the Last Repayment Date (as defined hereinafter) in respect of the last tranche of the Facility A Loan (i.e. the 40th tranche), to and including the tenth (10th) Business Day thereafter or such other period as the Lender, the Arranger and the Company may agree ("**Option Period**"), to require the Lender to make available to the Company the Facility B. To exercise the Facility B Option, the Company shall issue the Utilisation Request in respect of the first tranche of the Facility B Loan to the Lender at any time during the Option Period.

3.1.4 *Utilisation*

Subject always to the terms and conditions of the Facility Agreement, the Utilisation Requests in respect of each of the Facilities shall be made in the following manner:

(a) Facility A

(i) *First Tranche of the Facility A Loan*

The Company shall, during the Availability Period, utilise the first tranche of the Facility A Loan by delivery to the Lender of a duly signed Utilisation Request in respect of the Facility not later than 11.00 a.m. on the fifth (5th) Business Day immediately after the last of the conditions precedent as set out in the Facility Agreement is fulfilled.

(ii) *Subsequent Tranches of the Facility A Loan*

In respect of each of the subsequent tranches of the Facility A Loan, the Company shall be deemed to have issued a duly completed Utilisation Request on the Last Repayment Date in respect of the immediately preceding tranche of the Facility A Loan with the proposed Utilisation Date for such subsequent tranche of the Facility A Loan being a date falling on the fifth (5th) Business Day after the Last Repayment Date, or such other date as the parties may agree in writing.

(b) Facility B

(i) *First Tranche of the Facility B Loan*

The Company may, during the Option Period, utilise the first tranche of the Facility B Loan by delivery to the Lender of a duly signed

Utilisation Request in respect of the Facility not later than 11.00 a.m., five (5) Business Days before the proposed Utilisation Date.

(ii) *Subsequent Tranches of the Facility B Loan*

In respect of each of the subsequent tranches of the Facility B Loan, the Company shall be deemed to have issued a duly completed Utilisation Request on the Last Repayment Date in respect of the immediately preceding tranche of the Facility B Loan with the proposed Utilisation Date for such subsequent tranche of the Facility B Loan being a date falling on the fifth (5^{th}) Business Day after the Last Repayment Date, or such other date as the parties may agree in writing.

Where:

"**Last Repayment Date**" refers to a date on which the outstanding principal amount of the relevant tranche of the Loan has been fully repaid; and

"**Availability Period**" means the period from the date of the Facility Agreement to 31 December 2016, or such other period as the parties may from time to time agree in writing.

3.1.5 *Interests and Default interests*

The Loan shall bear simple interest from the Utilisation Date at a rate of 2% per annum on the outstanding principal amount of the Loan until such principal amount of the Loan has been repaid or prepaid ("**Interest**"). Default interest shall accrue on the unpaid amount ("**Unpaid Amount**") from such date when the Unpaid Amount is due and payable up to the date of actual payment at a rate of 25% per annum on such outstanding Unpaid Amount, calculated on a daily basis. All default interest shall be settled in cash.

3.1.6 *Repayment*

Subject to any prepayment and cancellation, each Loan shall be repayable on the anniversary of its Utilisation or the Termination Date, whichever is earlier ("**Loan Repayment Due Date**").

On the Loan Repayment Due Date, the Company may repay the whole of the outstanding loan principal in respect of the Loan which is due and repayable on the Loan Repayment Due Date, in cash or by way of an allotment and issue of Placement Shares.

Unless otherwise agreed, all accrued interests shall be payable on the 31 December of every year, subject to the terms and conditions of the Facility Agreement ("**Interest Payment Date**"), and in the event that such Interest Payment Date is not a Business Day, the Interest Payment Date shall be deemed to be the next Business Day.

Notwithstanding anything to the contrary in the Facility Agreement, all Loans owing and outstanding as at the Termination Date, and all amounts outstanding under the Facilities (whether principal, interest, commission, fees or otherwise whatsoever) shall be forthwith repaid in full on the Termination Date.

3.1.7 *Events of Default*

The Loan(s) made under the Facilities is subject to customary events of default as set out in the Facility Agreement ("**Event of Default**"). Upon the occurrence of any Event of Default, the Lender shall inform the Company in writing of an occurrence of any

such Event of Default. If the Lender does not waive such Event of Default, the Lender may by prior written notice to the Company:

(a) cancel all or part of the Total Commitment, or any part of it available thereunder; and/or

(b) declare that all or any part of the outstanding Loan(s), together with accrued interests, and all other amounts accrued or outstanding to it be immediately due and payable; and/or

(c) declare that all or part of the applicable borrowings, together with accrued interest, and all other amounts accrued or outstanding to it under the Facility Agreement be payable on demand by the Lender; and/or

(d) terminate the Facility Agreement without prejudice to any rights in respect of any prior breach by the Company under the Facility Agreement. Failure to exercise this right shall not constitute a waiver of any other rights of the Lender arising out of any such breach.

3.1.8 *Arranger Fees and other expenses*

Amongst other transaction costs, the Company shall pay:

(a) an arranger fee of 5.0% of the principal amount of each tranche of the Facility A Loans and Facility B Loans issued, to the Arranger on each Utilisation Date of each such tranche of the Loan, as the case may be; and

(b) a commitment fee of (i) S$200,000 to the Lender on the Utilisation Date of the first tranche of the Facility A Loan and (ii) S$200,000 is payable to the Lender on the Utilisation Date of the first tranche of the Facility B Loan.

The Company further agreed to bear all costs and expenses reasonably incurred by the Lender and the Arranger up to a maximum of S$30,000.

3.2 The Placement Agreement

3.2.1 *Overview*

The Subscriber desires to subscribe for, and the Company agrees to allot and issue to the Subscriber the Placement Shares on the following terms and subject to the terms and conditions of the Placement Agreement (the "**Placement**"):

Placement Commitment Amount	:	S$45,000,000
Maximum Placement Limit	:	1,951,431,049 Placement Shares, being the maximum number of Placement Shares to be allotted and issued to the Subscriber pursuant to the terms and conditions of the Placement Agreement, which is determined by dividing the Placement Commitment Amount by the Reference Price

Reference Price	:	S$0.02306 per Placement Share, which is determined at a discount of ten percent (10%) on the average of the traded volume weighted average price per Share for each Market Day in respect of 180 Market Days on which Shares were traded on the SGX-ST, immediately preceding the date on which the Placement Agreement was entered into
Issue Price	:	The Issue Price of the Placement Shares shall be at a discount of ten percent (10%) to: (i) the volume weighted average price for trades done on the Shares on the SGX-ST for the full Market Day on which the Subscription Request (as defined below) was received by the Company; or (ii) if trading in the Shares on the SGX-ST is not available for a full Market Day on which the Subscription Request was received by the Company, the volume weighted average price for trades done on the Shares on the SGX-ST on the preceding Market Day up to the time that Subscription Request was received by the Company.
Status	:	The Placement Shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and the Placement Shares shall rank *pari passu* in all respects with and carry all rights similar to existing Shares, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the relevant date of issue of the Placement Shares ("**Issue Date**").

3.2.2 *Subscription Request*

Subject to the terms and conditions of the Placement Agreement, the Subscriber may require the Company to allot and issue such number of Placement Shares at the Issue Price, up to the Placement Commitment Amount, by issuing a subscription request to the Company (the "**Subscription Request**").

The Subscription Request is not regarded as duly completed unless, *inter alia*:

(i) the Issue Price as set out in the Subscription Request shall not be below the par value of the Shares;

(ii) save as stated in paragraph 3.2.3 below, the subscription amount as specified in the Subscription Request ("**Subscription Amount**") does not exceed the outstanding loan principal amount as at the date of the Subscription Request;

(iii) save as stated in paragraph 3.2.3 below, the Subscription Amount as specified in the Subscription Request is at least S$100,000, or any such amount which is in multiples of S$100,000, unless otherwise agreed by the

parties in writing;

(iv) the sum of (A) the Subscription Amount of that Subscription Request and (B) the aggregate Subscription Amounts in respect of all duly completed Subscription Requests issued previously, does not exceed the Placement Commitment Amount; and

(v) there having been no occurrence of any event or discovery of any fact rendering any of the representations, warranties and undertakings by the Company or the Subscriber (as the case may be) being untrue or incorrect in any material respect.

In the event that proposed Issue Price of the Placement Shares falls below the par value of the Shares and the Company is unable to complete the issue and allotment of the Placement Shares in the manner as contemplated:

(a) the parties agree that the Subscriber shall not issue any Subscription Request(s), and further, or any such Subscription Request(s) so issued or deemed to be issued contrary to such understanding shall not be regarded as being validly issued, and the obligations of the Company in respect of the allotment and issue of the Placement Shares upon the receipt of the Subscription Request(s) shall be suspended. Accordingly, no further Placement Shares shall be issued until the proposed Issue Price of the Placement Shares is at or above the par value of the Shares; and/or

(b) if the parties agree otherwise, the parties shall consult in good faith with a view to determining whether the transactions as contemplated under the Placement Agreement and the Facility Agreement may proceed by alternative means or methods (as appropriate) and/or to extend the deadlines for the proposed transactions on such terms and conditions as the parties may agree in writing.

3.2.3 *Prepayment and Repayment of the Facilities*

(a) Issue of Subscription Request - In respect of payment of outstanding Loan principal under the Facility Agreement ("**Deemed Prepayment of the Loan**")

In the event that the Subscriber issues a Subscription Request in accordance with the Placement Agreement, the parties agree that any amount thus applied by the Subscriber pursuant to the placement of the Placement Shares shall be treated as a prepayment or repayment (as the case may be) of the outstanding loan principal (or part thereof) under the Facility Agreement by the Company to the Subscriber.

Accordingly, any outstanding loan principal shall, subject to the terms and conditions of the Facility Agreement, on the date on which such Placement Shares are issued, be deemed repaid by an amount equal to the actual subscription amount. If the actual subscription amount shall for any reason exceed the outstanding loan principal, the difference shall be paid by the Subscriber to the Company in cash.

(b) Deemed issue of Subscription Request- In respect of payment of Interests under the Facility Agreement ("**Deemed Prepayment of Interest**")

The Subscriber shall be deemed to have issued a duly completed Subscription Request five (5) Market Days prior to an Interest Payment Date in respect of a Subscription Amount equal to the aggregate of the accrued interest payable to the Subscriber (as Lender) by the Company as at that Interest Payment Date pursuant to the Facility Agreement, subject always to the following:

(i) the Issue Date of the Placement Shares shall be on the Interest Payment Date, or on such other dates as the Parties may agree in writing; and

(ii) upon the allotment and issue of the Placement Shares, the accrued interest payable pursuant to the Facility Agreement shall, on the Issue Date, be deemed repaid by an amount equal to the actual subscription amount.

All fractional entitlements which are disregarded in the issue of the Placement Shares pursuant to the Subscription Request shall be repaid by the Company to the Lender in cash.

3.2.4 *Use of Placement Proceeds*

Pursuant to the Placement Agreement, and without specifying the priority of such payments, the Company shall apply all the proceeds of the Placement towards:

(a) the payment of the consideration pursuant to any proposed acquisitions to be undertaken by the Company;

(b) the working capital and general corporate purposes, including without limitation, the payment of any transaction costs, fees and expenses incurred in connection with the Placement Agreement and the obligations hereunder;

(c) the repayment of the accrued interests and the Loan pursuant to the Facility Agreement;and

(d) for the payment of various miscellaneous expenses, including professional fees associated with any proposed mergers and acquisitions by the Company,

3.2.5 *Conditions Precedent to the issue of the Placement Shares*

The Company shall not be obliged to allot and issue and the Subscriber shall not be obliged to subscribe for the Placement Shares unless the certain conditions precedent, including but not limited to the following, have been fulfilled (or waived), as relevant on each Issue Date:

(a) the Facility Agreement have been duly executed and a scanned copy of the executed Facility Agreement has been delivered to the Company and an original executed copy of the Facility Agreement delivered to the Company within five (5) Business Days of the date of the Placement Agreement;

(b) there remains outstanding Loan(s) or accrued interests owing and payable by the Company to the Subscriber (in its capacity as a Lender), pursuant to the Facility Agreement;

(c) the resolution of the Shareholders having been obtained for the entry into, implementation and closing of, the transactions contemplated in the Placement Agreement and all other transactions in connection therewith and incidental thereto, including but not limited to:

(i) the Placement;

(ii) the Whitewash Waiver; and such waiver not having been revoked prior to the Issue Date; and

(iii) the transfer of controlling interest pursuant to the allotment and issue of the Placement Shares to the Subscriber; and

(d) all necessary consents, approvals and waivers of all relevant government bodies, stock exchange and other regulatory authority having jurisdiction over the transactions contemplated in the Placement Agreement and all other transactions in connection therewith and incidental thereto, having been obtained by the Company or the Subscriber, as relevant, including without limitation, the approval in-principle for the listing and quotation of the Placement Shares on the Official List of the SGX-ST and the waiver by Securities Industry Council ("**SIC**") being obtained by the Subscriber in respect of the Whitewash Waiver.

3.2.6 *Termination*

The Placement Agreement shall terminate as between the Parties on the earlier of:

(a) the Termination Date (as defined in the Facility Agreement); or

(b) the date on which the Facility Agreement has been terminated as between the parties thereto; or

(c) on such other date as may be agreed between the Parties in writing.

3.2.7 *Representations, Warranties and Undertakings*

The subscription by the Subscriber of the Placement Shares is subject to certain representations, warranties, undertakings and covenants provided by the Company.

4. KEY TERMS OF THE BRIDGE LOAN AGREEMENT

4.1 Bridge Loan

Under the Bridge Loan Agreement, the Lender agrees to lend and the Company agrees to borrow a sum of up to S$500,000 ("**Bridge Loan**") for a term of six months for the purposes of meeting the interim financing needs of the Company. Accordingly, the Company shall apply all the proceeds of the Bridge Loan for general working capital purposes and for payment of various miscellaneous expenses, including professional fees associated with the proposed acquisitions by the Company.

4.2 Conditions Precedent

The disbursement of the Bridge Loan is conditional upon requirements customary to such transactions, on or before the proposed date of disbursement of the Bridge Loan ("**Disbursement Date**"), including but not limited to the following:

(a) the receipt by the Lender of a certified true copy of the resolutions of the Board:

(i) approving the Bridge Loan and the terms of the transactions contemplated by the Bridge Loan Agreement; and

(ii) approving the transactions contemplated under the Facility Agreement and the Placement Agreement respectively;

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

(c) all the representations and warranties of each of the parties be accurate and correct in all material respects at, and as if made on, the Disbursement Date; and

(d) each of the Parties shall have materially performed all of its undertakings or obligations hereunder to be performed on or before the Disbursement Date.

If any of the conditions precedent is not satisfied, fulfilled or waived (as the case may be) on the 31 March 2015, the obligations of the Parties under the Bridge Loan Agreement shall cease and determine thereafter and neither the Company nor the Lender shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise save for any claim by a party against the other arising from antecedent breaches.

4.3 **Interests**

The Bridge Loan shall bear a simple interest on the principal outstanding amount of the Bridge Loan at the rate of 10.0% per annum ("**Bridge Loan Interest**"). The Bridge Loan Interest shall be payable in arrears on a pro-rata basis on the Repayment Date or the Conversion Shares Issue Date (as the case may be).

In the event that the Company is unable to repay the full amount of the Bridge Loan by the Repayment Date, the Company shall ensure immediate repayment of the outstanding loan (and all accrued Bridge Loan Interest) in cash without further demand by the Lender. The Company shall in addition to the Bridge Loan Interest, be liable to pay default interest of 25% per annum on the outstanding amount of the Bridge Loan.

4.4 **Repayment**

The Bridge Loan is repayable on:

(a) a date falling immediately after six months from the Disbursement Date; or

(b) at any time prior to the maturity of the Bridge Loan, on the occurrence of an event of default as prescribed under the Bridge Loan Agreement,

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

(i) in cash; or

(ii) by way of an issuance of new Shares to be allotted and issued in the capital of the Company to the Lender (or at its direction) at the Repayment Issue Price (as defined hereunder) upon the conversion of the Bridge Loan ("**Conversion Shares**").

The "**Repayment Issue Price**" means the lower of:

(i) 90% of the weighted average prices (aa) of trades done on the Shares on the SGX-ST on the date of the Bridge Loan Agreement (being the full Market Day on which the Bridge Loan Agreement was entered into); or (bb) if the date of signing of the Bridge Loan Agreement is not a Market Day for which trading of the Shares is available for a full Market Day, of trades done on the preceding Market Day up to the time of signing of the Bridge Loan Agreement; and

(ii) 90% of the weighted average prices (aa) of trades done on the Shares on the SGX-ST on the full Market Day on the Loan Conversion Request Date or the Repayment Date (as the case may be); or (bb) if the Loan Conversion Request Date or the Repayment Date (as the case may be) is not a Market Day for which trading of Shares is available for a full Market Day, of trades done on the preceding Market Day up to 5.00 p.m. (Singapore time) on Loan Conversion Request Date or the Repayment Date (as the case may be).

4.5 **Conversion**

(a) Conversion by Lender ("**Lenders' Conversion Right**")

The Lender may, in its sole discretion, at any time when the Bridge Loan remains outstanding, issue a written request for conversion ("**Loan Conversion Request**"), requesting to convert the whole or any part of the Bridge Loan (and any accrued Bridge Loan Interests thereunder) into duly authorised, validly issued, fully-paid and unencumbered Conversion Shares in the Company without payment of any additional cash or other consideration.

(b) Voluntary Prepayment by Company

The Company may, in its sole discretion, at any time when the Bridge 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 Bridge Loan (including any accrued Bridge Loan Interest calculated on a pro-rata basis up to the date on which such repayment is made) in cash. The exercise by the Lender of the Lenders' Conversion Right above at any time prior to the voluntary prepayment of Bridge Loan by the Company shall preclude the right of prepayment by the Company.

4.6 **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 Bridge Loan to the Lender in the following manner:

(a) 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 its 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 date as the Parties may otherwise agree in writing ("**Conversion Shares Issue Date**");

(b) 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;

(c) 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

(d) The number of Conversion Shares to be allotted and issued by the Company to the Lender and/or the nominee shall be determined as follows (fractional entitlements 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 outstanding amount of the Bridge Loan and any accrued Bridge Loan Interest, calculated on a pro-rata basis up to the Loan Conversion Request Date.

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

4.7 **Commission**

In consideration for its procuring of the Bridge Loan, the Company shall pay a commission of 10% ("**Commission**") on the principal amount of the Bridge Loan disbursed to the ACP.

5. PURPOSE OF THE PROPOSED TRANSACTIONS AND THE PROPOSED USE OF PROCEEDS

Estimated amount of proceeds raised

Assumption	Gross Proceeds Raised	Estimated Fixed Expenses Incurred	Estimated Net Proceeds[(1)]
From the Bridge Loan Agreement			
Upon Disbursement	S$500,000	S$50,000[(2)]	S$450,000
From the Facility Agreement			
Assuming the full drawdown on the Facility A	S$20,000,000	S$1,230,000[(3)]	S$18,770,000
Assuming the full drawdown on Facility	S$40,000,000	S$2,430,000[(4)]	S$37,570,000

A and B

Note:

(1) The estimated net proceeds do not take into account any interests incurred on the loans, and any other transaction expenses except those in relation to the fixed expenses as disclosed in these Notes.

(2) Commission of 10% of the Bridge Loan amount payable to ACP.

(3) Inclusive of S$200,000 Commitment Fee for Facility A, S$30,000 professional fees paid by the Company on behalf of ACP and the Subscriber and S$1,000,000 Arrangement Fees (being 5.0% of principal amount of Loan drawn down). This excludes ancillary professional fees and other costs and expenses which may be incurred.

(4) In addition to the expenses incurred as set out in Note (3) above, also inclusive of S$200,000 Commitment Fee for Facility B, and S$1,000,000 Arrangement Fees (being 5.0% of principal amount of Loan drawn down). This excludes ancillary professional fees and other costs and expenses which may be incurred.

Gross proceeds of up to S$40,500,000 may be raised from the Bridge Loan Agreement and the Facility Agreement depending on, *inter alia*, the market conditions and the discretion of the Company whether to drawdown on Facility B.

Proposed use of proceeds

Proceeds net of expenses and transaction costs ("**Net Proceeds**") shall be utilised as follows. The Bridge Loan serves as an interim financing arrangement before the conditions precedents in respect of the Facility Agreement and the Placement Agreement are satisfied.

Shareholders should note that the proposed distribution below only serves as a general guideline, given that the precise amount which may be raised pursuant to the Proposed Transactions cannot be reliably determined at this stage.

Proposed uses	**Estimated Percentage Utilisation of Net Proceeds from Bridge Loan**	**Estimated Percentage Utilisation of Net Proceeds from Facility Agreement**
Estimated Net Proceeds	S$450,000	S$37,570,000
Proposed Utilisations		
(a) The payment of the consideration pursuant to any proposed acquisitions to be undertaken by the Company	0%	60% - 70%
(b) Payment of various miscellaneous expenses, including professional fees associated with any proposed mergers and acquisitions by the Company	50-60%	15% - 20%
(c) Working capital and general corporate purposes, including without limitation, the payment of any transaction costs, fees and expenses incurred in connection with the Proposed Transactions and the obligations hereunder	40-50%	15% - 20%

In the event that the Net Proceeds initially allocated for the purposes set out in (a) and (b) above are not fully applied towards such uses 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 from the Proposed Transactions, 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 proceeds from the Proposed Transactions, after the proceeds from the Proposed Transactions are materially disbursed.

6. FINANCIAL EFFECTS

The financial effects as set out below are strictly for illustrative purposes and do not necessarily reflect the actual financial position and performance of the Company or its subsidiaries, prepared according to the relevant accounting standards, following the Proposed Transactions.

The financial effects of the Proposed Acquisition are prepared based on the unaudited consolidated financial statements of the Group for FY2013 and the following assumptions:

(i) the Group's EPS/LPS was computed assuming that the Proposed Transactions and the issuance of the 74,117,000 new Shares (as announced by the Company on 19 August 2014) were completed on 31 December 2013;

(ii) the Group's NTA was computed assuming that the Proposed Transactions the issuance of the 74,117,000 new Shares (as announced by the Company on 19 August 2014) were completed on 31 December 2013;

(iii) the Repayment Issue Price pursuant to the Bridge Loan Agreement and the Issue Price pursuant to the Placement Agreement is S$0.025[(1)] ("**Illustrative Price**", i.e. 90% of the weighted average price of S$0.028 for trades done on 1 October 2014, being the last market day on which the Shares were traded on the SGX prior to the entry into the Placement Agreement, the Facility Agreement and the Bridge Loan Agreement. There were no trades of the Shares on 2 October 2014);

(iv) save for the relevant interests and estimated fixed expenses as stated in paragraph 5 above, expenses in connection with the Proposed Transactions are disregarded for the purposes of calculating the financial effects; and

(v) the exchange rate is S$1: RMB4.85 / HK$6.2.

6.1 Share Capital

Issued and Paid-up Share Capital	As at 31 December 2013	As at the date of Announcement[(1)]	Assuming the issuance of the Conversion Shares at the Illustrative Price[(1)]	Assuming the issuance of the Conversion Shares, and 1,600,000,000 Placement Shares at the Illustrative Price[(1)]
Number of Shares	437,038,000	511,154,399	531,154,399	2,131,154,399
Share Capital (HK$)	43,703,740	51,115,439	53,115,439	213,115,429

Notes:

(1) On 19 August 2014, the Company issued 74,117,000 new 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 74,117,000 Shares issued.

6.2 Net tangible assets ("NTA")

	As at 31 December 2013	As at the date of Announcement[(1)]	Assuming the issuance of the Conversion Shares at the Illustrative Price[(1)]	Assuming the issuance of the Conversion Shares, and 1,600,000,000 Placement Shares at the Illustrative Price[(1)]
NTA of the Group (RMB '000)	68,952	68,952	71,377	265,377
Number of Shares	437,038,000	511,154,399	531,154,399	2,131,154,399
NTA Per Share (RMB)	0.16	0.13	0.13	0.12

Notes:

(1) On 19 August 2014, the Company issued 74,117,000 new 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 74,117,000 Shares issued.

6.3 Loss per Share ("LPS")

	FY2013	Assuming the issuance of the Conversion Shares at the Illustrative Price[(1)]	Assuming the issuance of the Conversion Shares, and 1,600,000,000 Placement Shares at the Illustrative Price[(1)]
Net profit/ (loss) of the Company and its subsidiaries for FY2013 (RMB '000)	(62,114)	(62,114)	(62,114)
Weighted average number of Shares('000)	379,958	380,231	384,614
Net profit/ (loss) per Share (RMB) - Basic and diluted	(0.16)	(0.16)	(0.16)

Notes:

(1) On 19 August 2014, the Company issued 74,117,000 new 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 74,117,000 Shares issued.

Illustrative Dilutive Scenario

Based on the Illustrative Price of S$0.025, up to a maximum of 1,620,000,000 Shares (being 1,600,000,000 Placement Share and 20,000,000 Conversion Share), representing in aggregate 317% of the total issued and paid up shares in the Company as of the date of this Announcement) and 76% of the total issued and paid up shares in the enlarged share capital of the Company as of the date of this Announcement, may be issued to AOF as the Lender/Subscriber. Pursuant to the allotment and issue of all the Conversion Shares and the Placement Shares, the Lender and/or its nominees will hold 1,620,000,000 Shares, representing approximately 76% of the enlarged share capital of the Company.

Maximum Dilutive Scenario

Based on the Reference Price of S$0.02306, and assuming the maximum dilutive scenario under the Placement Agreement where the maximum 1,951,431,049 Placement Shares shall be issued, a total of 1,973,113,616 Shares (being 1,951,431,049 Placement Share and 21,682,567 Conversion Share), representing in aggregate 386% of the total issued and paid up shares in the Company as of the date of this Announcement and 79% of the total issued and paid up shares in the enlarged share capital of the Company, may be issued to AOF as the Lender/Subscriber. Pursuant to the allotment and issue of all the Conversion Share and the Placement Shares, the Lender and/or its nominees will hold 1,973,113,616 Shares, representing approximately 79% of the enlarged share capital of the Company.

7. WHITEWASH WAVIER

Under Rule 14 of the Code, where (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1% of the voting rights, such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

Based on the potential dilution effects set out in paragraph 6 above, the Subscriber and its concert parties may acquire more than 30% of the voting rights in the Company. In such event, the Subscriber and its concert parties would incur an obligation to make a mandatory offer under the Code, unless the relevant waivers under the Code are obtained. Accordingly, the parties intend to make an application to the SIC for a waiver of the obligations of the Subscriber and its concert parties to make the mandatory offer for the Company as a result of the allotment and issue of the Placement Shares and/or the Conversion Shares.

8. EGM

The allotment and issue of the Placement Shares and the Conversion Shares are subject to the approval of the Shareholders at an extraordinary general meeting of the Company ("**EGM**") to be convened. Additionally, there may be a change in controlling interest pursuant to Listing Rule 803 of the SGX-ST Listing Manual for which specific Shareholders' approval shall be sought. Shareholders should also note that pursuant to the issue of part of the Conversion Shares and the Placement Shares authorised under the Proposed Transactions, the AOF may become a substantial shareholder of the Company, following which the further issuances may amount to placements to the Company's substantial shareholder under Rule 812 of the SGX-ST Listing Manual.

A circular to the Shareholders containing more information on the Proposed Transactions, together with notice of the EGM, will be despatched by the Company in due course to seek the approval of the Shareholders in respect of the Proposed Transactions (to the extent required).

9. 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 Transactions. 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 Proposed Transactions.

10. APPLICATION TO SGX-ST AND THE SIC

The Company will be submitting an application together with the conforming documents to the SGX-ST for the listing and quotation of the Placement Shares and 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 Placement Shares and the Conversion Shares on the Official List of the SGX-ST.

In the event the Subscriber acquires more than 30% of the voting rights of the Company, it would incur an obligation to make a mandatory offer, unless the relevant waivers under the Code are obtained. The parties intend to make an application to the SIC in respect of the Whitewash Waiver.

The Company will update the Shareholders as and when there are material updates to the applications.

11. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The Proposed Transactions are subject to conditions. There is no certainty or assurance as at the date of this announcement that all or any of the Proposed Transactions 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
2 October 2014