

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

**RESPONSE TO THE QUERIES OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON
THE COMPANY'S SECOND QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 JUNE 2016**

Capitalised terms used in this announcement shall, save as otherwise defined, have the same meanings ascribed to them in the Company's second quarter financial statements announcement for the period ended 30 June 2016 (the "2Q 2016 Financial Statements").

The Board of Directors of Cacola Furniture International Limited (the "**Company**") refers to the Company's announcement on 12 August 2016 in relation to the 2Q 2016 Financial Statements. The Singapore Exchange Securities Trading Limited ("**SGX-ST**") has on 26 August 2016 requested the Company to provide further information in respect of the 2Q 2016 Financial Statements. The queries by the SGX-ST and the Company's corresponding answers are set out below:

SGX-ST's Question 1

We refer to page 3 of the results announcement. We note 'Trade and other payables and accruals' of RMB30.591 million is higher than cost of sales for 2Q2016 of RMB13.563 million. Please provide the following information:

- (a) Breakdown and aging of 'Trade and other payables and accruals';
- (b) Explain underlying transactions for amounts relating to material items in other payables.

Company's response :

- (a) Breakdown and aging of 'Trade and other payables and accruals'

Amount due to director b/f	2,600
Accrued salary and allowances b/f	5,385
Accrued expenses (including full provision for RTO professional fees)	10,768
Trade payables	11,838

	30,591

- (b) Explain underlying transactions for amounts relating to material items in other payables.

Accrued expenses

Majority of accrued expenses includes professional fees for the proposed acquisition of the entire equity interest of a company to be incorporated by Sharp Year Ventures Limited (which was first announced on 10 April 2014) including but not limited to onshore and offshore legal advisers, reporting accountants, valuation, sponsor, independent financial adviser, financial consultant, market researcher and internal control review consultants. The Company announced the termination of the said acquisition on 30 September 2015. Please refer to the announcements made for further details.

The Company has, on 17 April 2016, entered into a settlement agreement with these creditors and for settlement of outstanding salaries and allowances due to directors and officers.

SGX-ST's Question 2

We refer to page 10 of the results announcement. We note that inventories increased by RMB7.6 million as a result of sale orders to be delivered in the next quarter. Noting that sales in 2Q2016 was RMB17.319 million and inventory amounted to RMB33.525 million, please provide details of order book and reasons for the significant increase in sales order.

Company's response :

For the 2Q2016, our total revenue increased by 160% compared to 2Q2015, orders were back to normal level before the tightened credit policy that was introduced by Chinese Government to cool down the property market. During the 2nd half of FY2015 the Chinese Government introduced new relaxed policies for the property market, and as a result of such policies our sales orders recovered with a better utilisation rate of our factory. Based on the existing management information, it is expected that current orders which to be delivered in the 2nd half of FY2016 will not be less than 1st half of FY2016, in terms of revenue.

SGX-ST's Question 3

We refer to page 11 of the results announcement. We note the statement that the Company had entered into a memorandum of understanding with a prominent Singapore healthcare provider BH Investments Ltd on 18 April 2016 to acquire all the subsidiaries of the SPV. Please provide update on status of acquisition.

Company's response :

On 18th August 2016, after several month of negotiation, the Company announced that the Company and BH Investments Ltd were unable to agree on the terms of the definitive agreement for the proposed acquisition, due to certain due diligence issues and hence the Company and BH Investments Ltd have agreed to mutually terminate the memorandum of understanding with immediate effect without any liability whatsoever for either party.

BY ORDER OF THE BOARD

ZHOU MIN ZONG

CHIEF EXECUTIVE OFFICER

29 August 2016