

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

GENERAL BUSINESS UPDATE

The Board of Directors (the “**Board**”) of Cacola Furniture International Limited (the “**Company**”) wishes to announce a general business update for the Company and its subsidiaries (the “**Group**”).

The Group is principally engaged in the businesses of manufacturing furniture. Following the recovery of the China property market, the management conducted a series of reviews on its business, which include strategic direction, business development as well as corporate level activity, in order to enhance shareholder value.

The Company shall proceed with two major corporate actions to increase the market capital and liquidity of the Company, namely the Rights Issue which was announced on 3 May 2016 and placement of Settlement Shares to the Company’s Creditors which was announced on 18 April 2016, to strengthen its balance sheet and to improve the capital position by capitalizing the amount due to Creditors.

The Company, through the management, also conducted an extensive review of the Company’s existing business and operations with a view to establishing the optimal strategy for the Company’s future development.

As a result of the aforementioned review, the Company has decided to:

- (i) broaden the range and enhance the quality of its products by a partner scheme with reputable operators in the furniture industry;
- (ii) expand the distribution network in China and to develop markets in other South East Asian countries, South Korea and Australia;
- (iii) streamline the existing operation by way of consolidation with profitable operators with proven and stable track records with good returns; and
- (iv) to explore vertical integration for business opportunity for the Company.

The management has carefully reviewed the performance of the China property and furniture sectors and concluded that investment in the furniture business has proven to be low risk relative to the potential for returns. The Company believes the best prospects at the current time are in high end quality furniture markets in China, South Korea, Australia and/or South East Asia countries. In particular for China, the Company believes that this strategy should be able to be implemented given the recovery of the property market and high disposable income.

The Company intends to focus on business development with reputable operators in both upstream (i.e. branded furniture design and supply) and downstream (i.e. sales network) operations.

The Board will closely monitor the said business plan and will advise shareholders of any further developments from time to time as appropriate. The Board of Directors is of the view that the aforesaid business strategy, should it be materialised, will provide a prime opportunity for the Group to balance the cyclical nature of the Group’s assets and experience, which is expected to benefit the Group and the shareholders as a whole.

Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company. There is no certainty or assurance as at the date of this announcement that the above strategy, the Rights Issue and/or the issuance of Settlement Shares 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 MIN ZONG
CHIEF EXECUTIVE OFFICER
22 September 2016