CACOLA FURNITURE INTERNATIONAL LIMITED
(Incorporated in the Cayman Islands)
Company Registration Number:
179492

NOTIFICATION

The board of directors (the "**Board**") of Cacola Furniture International Limited (the "**Company**") refers to the announcement of the Company dated 6 March 2017 and wishes to inform shareholders that the Singapore Exchange Securities Trading Limited ("**SGX-ST**") has rejected the Company's appeal of the decision of the SGX-ST.

The SGX-ST informed the Company that their decision took into account, amongst others, that the Company has recorded a negative operating cash flow of RMB18,200,000 in its latest announced unaudited full year results and does not meet the requirement for a healthy cash flow from its operating activities. Further, the Company's current market capitalization is around S$2,000,000 as at 14 March 2017, significantly below the S$40,000,000 threshold for the removal from the Financial Watch-List.

The Company does not agree with the assessment that the Group is not in a healthy cash flow position from its operating activities.

As discussed and agreed with the Company's auditors, the Group has an **actual positive operating cash flow** for the financial year ended 31 December 2016 of approximately RMB1,432,000 after excluding the major non-cash transaction comprising the settlement of debt of S$4,062,306 (approximately RMB19,654,000) by way of issuance of new ordinary shares in the capital of the Company to certain creditors (the Company announced the completion of the allotment and issue of the said new ordinary shares on 25 October 2016). Compared to the financial year ended 31 December 2015, the Group has cash outflow of approximately RMB6,226,000. The aforesaid non-cash debt equity settlement transaction enabled the Group to improve its cashflow position by capitalising the debts into equity of the Company.

Apart from the major non-cash transaction discussed above, the Group's inventory level has increased dramatically to approximately RMB37,254,000 as at 31 December 2016 (31 December 2015: approximately RMB25,949,000). As such, an operating cash outflow of RMB11,305,000 was reported in the operating activities. In fact, this increment is a positive and healthy signal to the Group representing increase in sales order to be delivered to its customers.

The Board will continue to engage with the SGX-ST to seek the best options for the shareholders and shall make further announcements in due course.

BY ORDER OF THE BOARD
CACOLA FURNITURE INTERNATIONAL LIMITED

ZHOU MIN ZONG
Chief Executive Officer

15 March 2017