

CACOLA FURNITURE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands)

Company Registration No. 179492

QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE LISTING MANUAL

Cacola Furniture International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) was placed on the watch-list pursuant to Rule 1311 of the SGX Listing Manual on 5 March 2014. Pursuant to Rule 1313(2) of the SGX Listing Manual, the board of Directors (the “**Board**”) of the Company wishes to provide the update below in respect of the financial year ended 31 December 2016.

Financial Position

Please refer to the announcement on 21 February 2017 of the unaudited financial statements of the Group for the financial year ended 31 December 2016, for an update on the Group’s financial position as at 31 December 2016.

Material Development and Future Direction

The Company announced that 27 September 2016, the Company had enter into a Sales and Purchase agreement to purchase 60% of the entire capital of A&G International Holding Limited (“A&G”). A&G was established in 2007 and is accredited as one of the authorised export furniture manufacturers of Calia Italia, a leading premium Italian leather sofa brand in Europe. Apart from being an integral manufacturing and logistic partner of Calia Italia, A & G also produces its own brand of furniture under the house brand Domus Divani, which are exported to Australia and South Korea. A&G had recently secured certain strategic contracts to supply home furnishing including sofa sets to major distributors in Australia, China, and South Korea.

The Board believes that the Proposed Acquisition will:

- enhance the quality control and know-how for the Group’s existing facilities.
- streamline the existing operation of the Group
- strengthen the financial performance of the Group
- expand the distribution network and clientele of the Group
- create potential business opportunity by co-operation with reputable brand/operator.

The Group is in the process of due diligence of the target and will update the market.

The management is also actively seeking business opportunities outside of China to diversify from its reliance on a single country.

The Company also announced on 23 November 2016 that :

(a) the Company and Advance Opportunities Fund (“Subscriber”) have mutually agreed to terminate the placement agreement between the Company and the Subscriber dated 2 October 2014 for an aggregate amount of up to S\$45 million; and

(b) the Company, Advance Opportunities Fund (“Lender”), and Advance Capital Partners Pte Ltd (“Arranger”) have mutually agreed to terminate the conditional unsecured S\$40 million facility entered into between the Company, the Lender and the Arranger dated 2 October 2014.

This is to enable the Company to access a wider range of fund raising opportunities as the Company embarks on a mission to rebuild its brand and assets.

Apart from the above measures, the Board would like to inform shareholders that they are actively seeking other potential opportunities and proposals that will enhance its financial position and provide a basis to support its application to the SGX-ST for the extension of time for Watch-List, and subsequent removal from the Watch-List.

BY ORDER OF THE BOARD

**ZHOU MIN ZONG
CHIEF EXECUTIVE OFFICER**

21 February 2017