

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 third quarter ended 30 September 2016.

Financial Position

Please refer to the announcement on 14 November 2016 of the unaudited financial statements of the Group for the third quarter ended 30 September 2016, for an update on the Group’s financial position as at 30 September 2016.

Material Development and Future Direction

Termination of acquisition of BH Investment Ltd

The Company and BH Investment Ltd were unable to agree on the terms of the definitive agreement for the Proposed Acquisition and hence the Company and BH Investment Ltd agreed to mutually terminate the MOU on 18 August 2016 without any liability whatsoever for either party.

Business update

On 22 September 2016 the Company announced that 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 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.

As a result of the above measures, 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
- potential business opportunity by co-operation with reputable brand/operator

The Board would like to inform shareholders that it will continue to seek 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 to be removed from the Watch-List, and subsequent removal from the Watch-List.

BY ORDER OF THE BOARD

ZHOU MIN ZONG
CHIEF EXECUTIVE OFFICER
17 November 2016