CACOLA FURNITURE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands)

(Co. Reg. No: 179492)

THIRD QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

		Group			Group		
		Three months ended			Nine months ended		
		30.9.2016	30.9.2015		30.9.2016	30.9.2015	
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
	Notes	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue		15,074	22,499	*-33%*	47,949	34,804	*38%*
Cost of sales		(12,954)	(19,531)	*-34%*	(38,764)	(30,524)	*27%*
Gross profit		2,120	2,968	*-29%*	9,185	4,280	*115%*
Other income	1	30	13	*131%*	160	41	*290%*
Selling and distribution expenses		(457)	(392)	*17%*	(1,157)	(1,589)	*-27%*
Administrative expenses		(953)	3,445	*-128%*	(4,185)	(2,114)	*98%*
Finance costs		-	(1,278)	*-100%*	-	(1,556)	*-100%*
Operating profit/(loss) before taxation	2	740	4,756	*-84%*	4,003	(938)	*-527%*
Taxation		(5)	-	*NM*	(5)	-	*NM*
Profit/(loss) for the period		735	4,756		3,998	(938)	
Profit/(loss) attributable to owners of the Company		735	4,756	*-85%*	3,998	(938)	*-526%*
Other comprehensive income attributable to the owners of the Company							
- Exchange differences on translation of foreign operations		6,097	-	*NM*	9,063	117	*7646%*
Total comprehensive income for the year attributable to the owners of the Company		6,832	4,756	*44%*	13,061	(821)	*-1691%*

NM - Not meaningful

Notes

1. Other income

	Group		Group	
	Three months ended		Nine months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Bank interest income	3	-	8	2
Exchange differences, net	1	-	83	-
Rental income	26	13	69	39
	30	13	160	41

2. Operating profit/(loss) before taxation

	Group		Group	
	Three months ended		Nine months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Depreciation of property, plant and equipment	-	-	-	4
Interest expenses	-	1,278	-	1,556
Operating lease expenses	11	-	25	-

1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.9.2016	**31.12.2015**	**30.9.2016**	**31.12.2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
	Unaudited	**Audited**	**Unaudited**	**Audited**
ASSETS AND LIABILITES				
Non-current assets				
Property, plant and equipment	67	67	-	-
Investments in subsidiaries	-	-	-	-
	67	67	-	-
Current assets				
Inventories	35,984	25,949	-	-
Trade and other receivables	15,754	11,070	7,291	-
Cash and bank balances	375	4,794	1	4,311
	52,113	41,813	7,292	4,311
Current liabilities				
Trade and other payables and accruals	26,848	29,610	41,125	35,761
Net current assets/(liabilities)	25,265	12,203	(33,833)	(31,450)
Non-current liabilities				
Deferred tax liability	227	227	227	227
Other financial liability	3,275	3,275	3,275	3,275
	3,502	3,502	3,502	3,502
Net assets/(liabilities)	21,830	8,768	(37,335)	(34,952)
EQUITY				
Equity attributable to Company's owners				
Share capital	62,685	62,685	62,685	62,685
Reserves	(40,855)	(53,917)	(100,020)	(97,637)
Total equity/(Capital deficiency)	21,830	8,768	(37,335)	(34,952)

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 September 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 30 September 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	3,275	-	3,275

Convertible loan

On 11 December 2015, the Company entered into a convertible loan agreement ("Loan Agreement") with a lender (the "Lender") pursuant to which the Lender agreed to extend a loan in the aggregate principal amount of S$1,000,000 to the Company. The loan is unsecured, bears interest at a fixed interest rate of 6% per annum, and is repayable by the Company immediately after five years from the date of disbursement of the loan ("Loan"). The Loan is convertible into ordinary shares in the Company at a fixed conversion price of S0.00684 per share. For details please refer to the Group's FY2015 annual report (note 14 to the financial statements).

1(c) A cash flows statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	Three months ended		Nine months ended	
	30.9.2016 RMB'000 Unaudited	30.9.2015 RMB'000 Unaudited	30.9.2016 RMB'000 Unaudited	30.9.2015 RMB'000 Unaudited
Cash flows from operating activities				
Operating profit/(loss) before taxation	740	4,756	4,003	(938)
Adjustments for:				
Depreciation on property, plant and equipment	-	-	-	4
Interest expenses		1,278	-	1,556
Interest income	(3)	-	(8)	(2)
Operating profit/(loss) before working capital changes	737	6,034	3,995	620
Changes in inventories	(2,459)	(2,201)	(10,035)	(4,362)
Changes in trade and other receivables	(3,435)	(368)	(4,683)	(237)
Changes in trade and other payables and accruals	(3,743)	(5,536)	(2,762)	(1,021)
Cash used in operations	(8,900)	(2,071)	(13,485)	(5,000)
Income taxes	(5)	-	(5)	-
Net cash used in operating activities	(8,905)	(2,071)	(13,490)	(5,000)
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	(689)	-	(685)
Interest received	3	-	8	2
Net cash generated from/(used in) investing activities	3	(689)	8	(683)
Cash flows from financing activities				
Financial liability	-	(3,996)	-	(3,407)
Issuance of shares	-	8,184	-	8,826
Interest expenses	-	(1,278)	-	(1,556)
Net cash generated from financing activities	-	2,910	-	3,863
Net decrease in cash and cash equivalents	(8,902)	150	(13,482)	(1,820)
Effect of foreign exchange differences	7,205	-	9,063	128
Cash and cash equivalents at beginning of the period	2,072	315	4,794	2,157
Cash and cash equivalents at end of the period	375	465	375	465
Analysis of balances of cash and cash equivalents				
Cash and bank balances	375	465	375	465

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Equity component of convertible loan RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
The Group								
Balance as at 1 July 2015 (unaudited)	47,208	142,214	23,570	-	2,127	19,802	(238,523)	(3,602)
Issue of shares	14,034	(5,850)	-	-	-	-	-	8,184
Profit/(loss) for the period	-	-	-	-	-	-	4,756	4,756
Other comprehensive income:				-				
Currency translation difference	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	4,756	4,756
Balance as at 30 September 2015 (unaudited)	61,242	136,364	23,570	-	2,127	19,802	(233,767)	9,338
Balance as at 1 July 2016 (unaudited)	62,685	134,280	23,570	1,108	4,852	19,802	(231,299)	14,998
Issue of shares	-	-	-	-	-	-	-	-
Profit/(loss) for the period	-	-	-	-	-	-	735	735
Other comprehensive income:								
Currency translation difference	-	-	-	-	6,097	-	-	6,097
Total comprehensive income for the period	-	-	-	-	6,097	-	735	6,832
Balance as at 30 September 2016 (unaudited)	62,685	134,280	23,570	1,108	10,949	19,802	(230,564)	21,830
The Company								
Balance as at 1 July 2015 (unaudited)	47,208	142,214	150,119	-	(34,740)	-	(344,523)	(39,722)
Issue of shares	14,034	(5,850)	-	-	-	-	-	8,184
Loss for the period	-	-	-	-	-	-	1,756	1,756
Other comprehensive income:								
Currency translation difference	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-		-	-	1,756	1,756
Balance as at 30 September 2015 (unaudited)	61,242	136,364	150,119		(34,740)	-	(342,767)	(29,782)
Balance as at 1 July 2016 (unaudited)	62,685	134,280	150,119	1,108	(36,283)	-	(345,911)	(34,002)
Issue of shares	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(1,618)	(1,618)
Other comprehensive income:								
Currency translation difference	-	-	-	-	(1,715)	-	-	(1,715)
Total comprehensive income for the period	-	-	-	-	(1,715)	-	(1,618)	(3,333)
Balance as at 30 September 2016 (unaudited)	62,685	134,280	150,119	1,108	(37,998)	-	(347,529)	(37,335)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.

State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Changes in Company's shares capital

There was no change in the Company's share capital in the current period reported on.

Convertible loan

As disclosed in item 1(b)(ii), on 11 December 2015, the Company entered into a Loan Agreement with the Lender pursuant to which the Lender agreed to extend a loan in the aggregate principal amount of S$1,000,000 to the Company. The loan is unsecured, bears interest at a fixed interest rate of 6% per annum, and is repayable by the Company immediately after five years from the date of disbursement of the loan. The Loan is convertible into ordinary shares in the Company at a fixed conversion price of S0.00684 per share. For details please refer to the Group's F2015 annual report (note 14 of the financial statements).

Proposed placement

The Company has, on 17 April 2016, entered into a settlement agreement ("Settlement Agreement") with its creditors to issue and allot new shares with respect to the repayment of the total sum of S$4,062,306 ("Debt") owing by the Company to these creditors.

Pursuant to the Settlement Agreement, the Company has agreed to repay the Debt through an allotment and issue to the creditors of 902,734,645 new ordinary shares in the capital of the Company ("Settlement Shares") at an issue price of S$0.0045 per Settlement Share which has been completed on 25 October 2016 subsequent to the current reporting period.

As at the date of this announcement, the Company has issued a total of 709,013,304 fully paid-up ordinary shares in the capital of the Company and after the issuance of the Settlement Shares, the Company will have issued a total of 1,611,747,949 fully paid-up ordinary shares in the capital of the Company.

For details, please refer to the Company's announcements on 18 April, 17 May, 2 July and 25 October 2016 respectively.

Rights issue

The Company is proposing a renounceable non-underwritten rights issue of up to 6,446,991,796 new ordinary shares in the issued and paid-up share capital of the Company ("Rights Share(s)") at an issue price of S$0.00475 for each Rights Share issue price on the basis of four (4) Rights Shares for every one (1) existing ordinary share in the capital of the Company held by the Entitled Shareholders.

For details, please refer to the Company's announcements on 3 May, 2 July, 12 July, 27 July, 25 October and 3 November 2016 respectively.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at	
	30.9.2016	**31.12.2015**
	Unaudited	**Audited**
Total number of issued shares	709,013,304	709,013,304
Less treasury shares	-	-
Total number of issued shares excluding treasury shares	709,013,304	709,013,304

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted all the new/amended International Financial Reporting Standards ("new/amended IFRSs") that became effective on 1 January 2016. Except the adoption of these new/amended IFRSs, the Group has consistently adopted the same accounting policies and methods of computations as stated in the audited financial statements of the Group for the year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as thereasons for, and the effect of, the change.

The adoption of the new/amended IFRSs does not have any material financial impact on the Group's financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

		Group		Group	
		Three months ended		Nine months ended	
		30.9.2016	30.9.2015	30.9.2016	30.9.2015
		Unaudited	Unaudited	Unaudited	Unaudited
Earnings/(loss) per share					
a)	Based on weighted average number of shares (RMB cents)	0.10	0.79	0.56	(0.16)
	-weighted average number of shares	709,013,304	605,428,463	709,013,304	598,206,430
b)	Based on a fully diluted basis (RMB cents)	N/A	N/A	N/A	N/A
	-adjusted weighted average number of shares	N/A	N/A	N/A	N/A

Basic earnings/(loss) per share for the three and nine months ended 30 September 2016 are calculated based on earnings/(loss) attributable to the owners of the Company for the periods divided by the weighted average of 709,013,304 shares.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	30.9.2016 Unaudited	31.12.2015 Audited	30.9.2016 Unaudited	31.12.2015 Audited
Net asset value ("NAV") per ordinary share (RMB cents)	3.08	1.24	(5.27)	(4.93)
Number of shares (excluding treasury shares)	709,013,304	709,013,304	709,013,304	709,013,304

Net asset value per share is calculated based on total equity of the Group and the Company as at 30 September 2016 and 31 December 2015 and based on the issued share capital of 709,013,304 ordinary shares in issue as at 30 September 2016 and 31 December 2015 respectively.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Group's Financial Performance

Revenue

For the 3Q2016, our total revenue decreased by 33% to RMB15.1 million compared to 3Q2015. During the same period cost of sales decreased 34% to RMB12.9 million compared to 3Q2015. Although there was a significant decreased in revenue and profit compared to 3Q2015, the Group's overall revenue for the nine months ended 30 September 2016 increased by 38% to RMB47.9 million compared to the same period in 2015, back to normal level before the tightened credit policy introduced by Chinese Government for property market. The policy has been relaxed from the 2nd half of FY2015, as a result, our sales orders have been recovered and better utilisation rate of our factory has been revealed.

The Group's overall gross profit margin for the nine months ended 30 September 2016 has also been increased from 12.3% to 19.2% compared to the same period in 2015 due to:

i) valued added design provided to customers
ii) property, plant and equipment have been fully written off, thus, no depreciation expenses were charged/capitalised subsequently
iii) 5% rebate from major suppliers

The major raw materials used for furniture production included MDF boards, fabric, foam and metal hardware.

Operating Profit

Operating Expenses

Operating expenses comprise (i) selling and distribution expenses and (ii) administrative and iii) other operating expenses. Operating expenses for the nine months ended 30 September 2016 of RMB5.6 million maintained at same level as to the same period in 2015 despite revenue increased by 38%. The management adopted below measures to tighten expenditure control:

i) In view of the Company's financial and cashflow positions, the senior management including current executive board members of the Company had consented to waive their remuneration and allowances.
ii) Property, plant and equipment have been fully written off, thus, no depreciation expenses were charged/capitalised subsequently

Review of Group's Financial Position

Inventories

Inventories increased by RMB 10.0 million as a result of sale orders to be delivered in the next quarters.

Trade and other receivables

Trade and other receivables increased by RMB 4.7 million, due to increase in credit sales during the period.

Accruals and trade and other payables

Accruals and trade and other payables decreased by RMB 2.8 million. The Group was engaged in RTO exercise and significant amount of accrued RTO professional fees ("Non-recurring exceptional items") were recorded in 2015. Non-recurring exceptional items represented non-operating expenditure (i.e. M&A related due diligence and travelling costs and etc.). In the opinion of the board of directors, these expenditures are non-recurring non-operating in nature.

Convertible loan

On 11 December 2015, the Company entered into a convertible Loan Agreement with the Lender pursuant to which the Lender agreed to extend a loan in the aggregate principal amount of S$1,000,000 to the Company. The Loan is unsecured, bears interest at a fixed interest rate of 6% per annum, and is repayable by the Company immediately after five years from the date of disbursement of the Loan. The Loan is convertible into ordinary shares in the Company at a fixed conversion price of S0.00684 per share. For details please refer to the Group's F2015 annual report (note 14 of the financial statements).

Deferred tax liability of RMB 227,000 relates to the taxable temporary difference arising from the initial recognition of the equity component separately from the liability component of the convertible loan.

Cash and cash equivalents

There is no material factor that affected the cash flow, working capital, assets or liabilities of the Group during the financial period ended 30 September 2016. Please refer to item 1c for details.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, is there any variance between it and the actual results?

The actual results for 3Q2016 are consistent with the commentary under paragraph 10 and the update announcements released by the Company in previous periods.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Operation overview

For the nine months ended 30 September 2016, total revenue increased by 38% to RMB 50 million compared to the same period of FY2015, orders are back to normal level before the tightened credit policy introduced by Chinese Government for property market. The policy which was relaxed in the 2nd half of FY2015, as a result, our sales orders have been recovered and better utilisation rate of our factory has been achieved. The management is confident to maintain operating profit for the furniture business in order to enhance shareholders' value.

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

Apart from the above, the Board would like to inform shareholders that we 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.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the nine months ended 30 September 2016.

13. Interested Person Transactions ("IPTs")

There was no interested person transaction in 3Q2016.

14. Status report on

Use of IPO Proceeds and Placement Proceeds

To the date of this announcement, the Company had fully utilised the IPO and previous placement proceeds.

15. Negative confirmation pursuant to Rule 705(5)

The board of Directors of the Company confirms to the best of its knowledge that nothing has come to its attention which may render the 3Q2016 to be false or misleading in any material aspect.

16. Undertakings pursuant to Rule 720(1)

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD

Zhou Min Zong

Chief Executive Officer

14 November 2016