CACOLA FURNITURE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands)

(Co. Reg. No: 179492)

SECOND QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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			Six months ended		
		30.6.2016	30.6.2015		30.6.2016	30.6.2015	
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
	Notes	Unaudited	Unaudited		Unaudited	Unaudited	
Revenue		17,319	6,721	*158%*	32,875	12,305	*167%*
Cost of sales		(13,563)	(6,008)	*126%*	(26,817)	(10,993)	*144%*
Gross profit		3,756	713	*427%*	6,058	1,312	*362%*
Other income	1	1,212	14	*8557%*	1,315	28	*4596%*
Selling and distribution expenses		(331)	(508)	*-35%*	(700)	(1,197)	*-42%*
Administrative expenses		(2,042)	(3,417)	*-40%*	(2,909)	(5,559)	*-48%*
Other operating expenses		-	-	*NM*	-	-	*NM*
Finance costs		-	(153)	*-100%*	-	(278)	*-100%*
Operating profit/(loss) before taxation	2	2,595	(3,351)	*-177%*	3,764	(5,694)	*-166%*
Taxation		-	-	*NM*	-	-	*NM*
Operating profit/(loss) for the period (before non-recurring exceptional items)		2,595	(3,351)	*-177%*	3,764	(5,694)	*-166%*
Non-recurring exceptional items	3	57	-	*NM*	(501)	-	*NM*
Profit/(loss) for the period (after non-recurring exceptional items)		2,652	(3,351)		3,263	(5,694)	
Profit/(loss) attributable to owners of the Company		2,652	(3,351)	*-179%*	3,263	(5,694)	*-157%*
Other comprehensive income attributable to the owners of the Company							
- Exchange differences on translation of foreign operations		1,079	54	*1898%*	1,079	117	
Total comprehensive income for the year attributable to the owners of the Company		3,731	(3,297)	*-213%*	4,342	(5,577)	*-178%*

NM - Not meaningful

Notes

1. Other income

	Group		Group	
	Three months ended		Six months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Bank interest income	97	1	183	2
Exchange differences, net	82	-	82	-
Rental income	26	13	43	26
Rebate from suppliers	1,007	-	1,007	-
	1,212	14	1,315	28

2. Operating profit/(loss) before taxation

	Group		Group	
	Three months ended		Six months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
3. Depreciation of property, plant and equipment	-	2	-	4
Interest expenses	-	153	-	278
Operating lease expenses	10	-	14	-

3. Non-recurring items

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, thus, included in the line item of “non-recurring exceptional items” presented in the income statement of the Company for the period ended 30 June 2016, for presentation purpose.

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	
	30.6.2016	**31.12.2015**	**30.6.2016**	**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	33,525	25,949	-	-
Trade and other receivables	12,319	11,070	6,945	-
Cash and bank balances	2,072	4,794	461	4,311
	47,916	41,813	7,406	4,311
Current liabilities				
Trade and other payables and accruals	30,591	29,610	40,986	35,761
Net current assets/(liabilities)	17,325	12,203	(33,580)	(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)	13,890	8,768	(37,082)	(34,952)
EQUITY				
Equity attributable to Company's owners				
Share capital	62,685	62,685	62,685	62,685
Reserves	(48,795)	(53,917)	(99,767)	(97,637)
Total equity/(Capital deficiency)	13,890	8,768	(37,082)	(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 June 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 June 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		Six months ended	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
Cash flows from operating activities				
Operating profit/(loss) before taxation	2,652	(3,351)	3,263	(5,694)
Adjustments for:				
Depreciation on property, plant and equipment	-	2	-	4
Interest expenses	-	153	-	278
Interest income	(97)	(1)	(183)	(2)
Operating profit/(loss) before working capital changes	2,555	(3,197)	3,080	(5,414)
Changes in inventories	(4,502)	(1,066)	(7,576)	(2,161)
Changes in trade and other receivables	(7,689)	(243)	(1,249)	132
Changes in trade and other payables and accruals	6,740	3,339	981	4,652
Cash used in operations	(2,896)	(1,167)	(4,764)	(2,791)
Income taxes	-	-	-	-
Net cash used in operating and non-operating activities	(2,896)	(1,167)	(4,764)	(2,791)
Cash flows from investing activities				
Interest received	97	1	183	2
Net cash generated from investing activities	97	1	183	2
Cash flows from financing activities				
Financial liability	-	-	-	1,110
Interest expenses	-	(153)	-	(278)
Net cash generated from/(used in) financing activities	-	(153)	-	832
Net decrease in cash and cash equivalents	(2,799)	(1,319)	(4,581)	(1,957)
Effect of foreign exchange differences	(29)	54	1,859	115
Cash and cash equivalents at beginning of the period	4,900	1,580	4,794	2,157
Cash and cash equivalents at end of the period	2,072	315	2,072	315
Analysis of balances of cash and cash equivalents				
Cash and bank balances	2,072	315	2,072	315

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	Exchange reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
The Group							
Balance as at 1 April 2015 (unaudited)	46,566	142,214	23,570	2,073	19,802	(235,172)	(947)
Issue of shares	642	-	-	-	-	-	642
Loss for the period	-	-	-	-	-	(3,351)	(3,351)
Other comprehensive income:							
Currency translation difference	-	-	-	54	-	-	54
Total comprehensive income for the period	-	-	-	54	-	(3,351)	(3,297)
Balance as at 30 June 2015 (unaudited)	47,208	142,214	23,570	2,127	19,802	(238,523)	(3,602)
Balance as at 1 April 2016 (unaudited)	62,685	134,280	23,570	3,773	19,802	(233,951)	10,159
Issue of shares	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	2,652	2,652
Other comprehensive income:							
Currency translation difference	-	-	-	1,079	-	-	1,079
Total comprehensive income for the period	-	-	-	1,079	-	2,652	3,731
Balance as at 30 June 2016 (unaudited)	62,685	134,280	23,570	4,852	19,802	(231,299)	13,890
The Company							
Balance as at 1 April 2015 (unaudited)	46,566	142,214	150,119	(34,857)	-	(342,353)	(38,311)
Issue of shares	642	-	-	-	-	-	642
Loss for the period	-	-	-	-	-	(2,170)	(2,170)
Other comprehensive income:							
Currency translation difference	-	-	-	117	-	-	117
Total comprehensive income for the period	-	-	-	117	-	(2,170)	(2,053)
Balance as at 30 June 2015 (unaudited)	47,208	142,214	150,119	(34,740)	-	(344,523)	(39,722)
Balance as at 1 April 2016 (unaudited)	62,685	134,280	150,119	(36,850)	-	(346,409)	(36,175)
Issue of shares	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(1,474)	(1,474)
Other comprehensive income:							
Currency translation difference	-	-	-	567	-	-	567
Total comprehensive income for the period	-	-	-	567	-	(1,474)	(907)
Balance as at 30 June 2016 (unaudited)	62,685	134,280	150,119	(36,283)	-	(347,883)	(37,082)

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

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 and 2 July 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 2016, 2 July 2016, 12 July 2016 and 27 July 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	
	30.6.2016	**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		Six months ended	
		30.6.2016	30.6.2015	30.6.2016	30.6.2015
		Unaudited	Unaudited	Unaudited	Unaudited
Earnings/(loss) per share					
a)	Based on weighted average number of shares (RMB cents)	0.37	(0.65)	0.46	(1.11)
	-weighted average number of shares	709,013,304	512,102,300	709,013,304	512,102,300
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 six months ended 30 June 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	
	30.6.2016 Unaudited	31.12.2015 Audited	30.6.2016 Unaudited	31.12.2015 Audited
Net asset value ("NAV") per ordinary share (RMB cents)	1.96	1.24	(5.23)	(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 June 2016 and 31 December 2015 and based on the issued share capital of 709,013,304 ordinary shares in issue as at 30 June 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 Performance

Revenue

Product Type	2Q2016 (RMB mil)	% of Total Revenue	2Q2015 (RMB mil)	% of Total Revenue	% Change
Panel Furniture	11.3	64.9	4.3	64.2	162.8
Sofa	5.2	29.9	2.1	31.3	147.6
Mattress	0.9	5.2	0.3	4.5	200.0
Total	17.4	100.0	6.7	100.0	159.7

For the 2Q2016, our total revenue increased by 160% compared to 2Q2015, 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 has also been increased from 2Q2015 10.6% to 2Q2016 21.7% 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

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 decreased from RMB 3.9 million in 2Q2015 to RMB 2.4 million in 2Q2016, due to the tight control on the Group's expenditure and below measures, and

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

Non-Recurring Exceptional Items

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, thus, included in the line item of "non-recurring exceptional items" presented in the income statement of the Company for the period ended 30 June 2016, for presentation purpose.

Review of Group Financial Position

Inventories

Inventories increased by RMB 7.6 million as a result of sale orders to be delivered in the next quarters in FY2016.

Trade and other receivables

Trade and other receivables increased by RMB 1.2 million, due to increase in credit sales during the period.

Trade and other payables

Trade and other payables increased by RMB 0.9 million, as a result of consumption of raw material consumed as well as accrued professional fees and other expenses.

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 June 2016.

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 2Q2016 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.

For 2Q2016, total revenue increased by 160% compare 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.

The Company had entered into a memorandum of understanding with a prominent Singapore healthcare provider BH Investments Ltd on 18 April 2016 to acquire all the subsidiaries of the SPV. The business of the SPV Group shall comprise three key medical services focused on medical conditions related to ageing. These are (a) medi-aesthetics; (b) medical wellness and specialist services including dental and eye care; and (c) innovative diagnostics for health and wellness screening. The SPV Group will own and operate medi-aesthetics clinics, an eye centre, dental clinics and wellness and specialist clinics.

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.

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 six months ended 30 June 2016.

13. Interested Person Transactions ("IPTs")

There was no interested person transaction in 2Q2016.

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 2Q2016 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

12 August 2016