



CACOLA FURNITURE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands)

(Co. Reg. No: 179492)

FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2014

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.**

	Notes	Group		+ / - %
		31.3.2014 RMB'000 Unaudited	31.3.2013 RMB'000 Unaudited	
Revenue		6,359	7,696	(17.4)
Cost of sales		(5,706)	(6,882)	(17.1)
Gross profit		653	814	(19.8)
Other income	1	13	13	-
Selling and distribution expenses		(4,191)	(7,216)	(41.9)
Administrative expenses		(7,464)	(6,562)	13.7
Loss before income tax	2	(10,989)	(12,951)	(15.1)
Income tax expense		-	-	NM
Loss for the period		(10,989)	(12,951)	(15.1)
Other comprehensive income attributable to the owners of the Company				
Exchange difference on translating foreign operations		(138)	393	(135.1)
Total comprehensive income for the period attributable to the owners of the Company		(11,127)	(12,558)	(11.4)

Notes:

1. Other income represents:

	Group		
	Three months ended		
	31.3.2014	31.3.2013	+ / -
	RMB'000	RMB'000	%
	Unaudited	Unaudited	
Bank interest income	13	13	-

2. Loss before income tax is arrived at after charging:

	Group		
	Three months ended		
	31.3.2014	31.3.2013	+ / -
	RMB'000	RMB'000	%
	Unaudited	Unaudited	
Depreciation	233	233	0.0%

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	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Audited	Unaudited	Audited
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	13,241	13,474	-	-
	13,241	13,474	-	-
Current assets				
Inventories	17,028	16,656	-	-
Trade and other receivables	35,630	37,294	-	-
Cash and cash equivalents	9,355	22,327	9	9
	<u>62,013</u>	<u>76,277</u>	<u>9</u>	<u>9</u>
Current liabilities				
Trade and other payables	17,429	20,799	34,073	32,186
	<u>17,429</u>	<u>20,799</u>	<u>34,073</u>	<u>32,186</u>
Net current assets / (liabilities)	<u>44,584</u>	<u>55,478</u>	<u>(34,064)</u>	<u>(32,177)</u>
Net assets / (liabilities)	<u>57,825</u>	<u>68,952</u>	<u>(34,064)</u>	<u>(32,177)</u>
EQUITY				
Equity attributable to Company's owners				
Share capital	40,690	40,690	40,690	40,690
Reserves	17,135	28,262	(74,754)	(72,867)
	<u>57,825</u>	<u>68,952</u>	<u>(34,064)</u>	<u>(32,177)</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 31 March 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Amount repayable after one year

As at 31 March 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	-	-	-

Details of any collateral

Not Applicable

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

	Group	
	Three months ended	
	31.3.2014	31.3.2013
	RMB'000	RMB'000
	Unaudited	Unaudited
Cash flows from operating activities		
Loss before income tax	(10,989)	(12,951)
Adjustments for:		
Depreciation	233	233
Interest income	(13)	(13)
Operating loss before working capital changes	(10,769)	(12,731)
(Increase) / Decrease in inventories	(372)	1,828
Decrease in trade and other receivables	1,665	1,316
(Decrease) / Increase in trade and other payables	(3,509)	2,236
Net cash used in operating activities	<u>(12,985)</u>	<u>(7,351)</u>
Cash flows from investing activity		
Interest received	<u>13</u>	<u>13</u>
Net decrease in cash and cash equivalents	(12,972)	(7,338)
Cash and cash equivalents at beginning of period	<u>22,327</u>	<u>47,595</u>
Cash and cash equivalents at end of period	<u><u>9,355</u></u>	<u><u>40,257</u></u>
Analysis of balance of cash and cash equivalents		
Cash and bank balances	<u><u>9,355</u></u>	<u><u>40,257</u></u>

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 January 2013	34,999	132,767	23,570	(54)	19,802	(93,866)	117,218
Loss for the period	-	-	-	-	-	(12,951)	(12,951)
<u>Other comprehensive income:</u>							
Exchange difference on translation of financial statements of foreign operations	-	-	-	393	-	-	393
Total comprehensive income for the period	-	-	-	393	-	(12,951)	(12,558)
Balance as at 31 March 2013	34,999	132,767	23,570	339	19,802	(106,817)	104,660
Balance as at 1 January 2014	40,690	138,396	23,570	2,474	19,802	(155,980)	68,952
Loss for the period	-	-	-	-	-	(10,989)	(10,989)
<u>Other comprehensive income:</u>							
Exchange difference on translation of financial statements of foreign operations	-	-	-	(138)	-	-	(138)
Total comprehensive income for the period	-	-	-	(138)	-	(10,989)	(11,127)
Balance as at 31 March 2014	40,690	138,396	23,570	2,336	19,802	(166,969)	57,825
The Company							
Balance as at 1 January 2013	34,999	132,767	150,119	(37,443)	-	(312,813)	(32,371)
Loss for the period	-	-	-	-	-	(1,914)	(1,914)
<u>Other comprehensive income:</u>							
Exchange loss recognised directly in equity	-	-	-	117	-	-	117
Total comprehensive income for the period	-	-	-	117	-	(1,914)	(1,797)
Balance as at 31 March 2013	34,999	132,767	150,119	(37,326)	-	(314,727)	(34,168)
Balance as at 1 January 2014	40,690	138,396	150,119	(34,779)	-	(326,603)	(32,177)
Loss for the period	-	-	-	-	-	(1,529)	(1,529)
<u>Other comprehensive income:</u>							
Exchange gain recognised directly in equity	-	-	-	(358)	-	-	(358)
Total comprehensive income for the period	-	-	-	(358)	-	(1,529)	(1,887)
Balance as at 31 March 2014	40,690	138,396	150,119	(35,137)	-	(328,132)	(34,064)

- 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.

There were no changes in the Company's share capital since the end of the previous period reported on. There were no convertibles outstanding nor shares held as treasury shares for the period ended 31 March 2014.

- 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 31.3.2014	As at 31.12.2013
Total number of issued shares	437,037,399	437,037,399
Less: Treasury shares	-	-
Total number of issued shares excluding treasury shares	<u>437,037,399</u>	<u>437,037,399</u>

- 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 2014. 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 2013.

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 the reasons 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	
	Three months ended	
	31.3.2014	31.03.2013
	Unaudited	Unaudited
a) based on the weighted average number of shares (RMB cents)	(2.5)	(3.5)
Weighted average number of shares	437,037,399	365,000,000
b) based on a fully diluted basis (RMB cents)	N/A	N/A
Adjusted weighted average number of shares	N/A	N/A

Basic (loss) per share are calculated based on (loss) attributable to the owners of the Company for the period divided by the weighted average of 437,037,399 shares (First quarter of 2013: weighted average of 365,000,000 shares).

As there are no potential dilutive ordinary shares during the period, no dilutive earnings per share is presented.

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	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Audited	Unaudited	Audited
Net asset value ("NAV") per ordinary share (RMB cents)	13.2	15.7	(7.8)	(7.1)
Number of shares (excluding treasury shares)	437,037,399	437,037,399	437,037,399	437,037,399

Net asset value per share is calculated based on total equity of the Group and the Company as at 31 March 2014 and 31 December 2013 and the issued share capital of 437,037,399 ordinary shares (excluding treasury shares) in issue as at 31 March 2014 and 31 December 2013 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	1Q2014 (RMB mil)	% of Total Revenue	1Q2013 (RMB mil)	% of Total Revenue	% Change
Panel Furniture	4.0	63.5	4.9	63.6	(18.4)
Sofa	2.0	31.7	2.4	31.2	(16.7)
Mattress	0.3	4.8	0.4	5.2	(25.0)
Total	6.3	100.0	7.7	100.0	(18.2)

For the first quarter ended 31 March 2014 ("1Q2014"), our total revenue declined by RMB1.4 million from RMB7.7million for the quarter ended 31 March 2013 ("1Q2013") to RMB6.3 million for 1Q2014. The decline in our total revenue was mainly attributable to the decrease in the sales of mattresses by RMB0.1 million, sofa by RMB0.4 million and panel furniture by RMB0.9 million respectively.

The revenue decline in the PRC market was mainly attributed to (i) the decrease in sales orders from existing specialty stores either operated by our distributors or by third party retailers under license from our distributors, (ii) the closure of old specialty stores and (iii) the decrease in sales from our own CACOLA mega store in Dongguan City.

The Chinese Government measures to dampen the robust residential property market and rein in bank loans under a tightened credit policy also had a ripple effect on our business.

The Group's overall gross profit margin remained stable compare to1Q2013. The major raw materials used for furniture production included MDF boards, fabric, foam and metal hardware and we faced rising costs in these raw materials by our suppliers, resulting in further deterioration in our gross profit margin compare to previous periods.

Operating Expenses

Operating expenses comprise (i) selling and distribution expenses and (ii) administrative expenses. Operating expenses decreased to RMB12 million in 1Q2014, representing a decrease of RMB2 million or 15% from RMB13 million in 1Q2013.

Operating expenses comprise advertising expenses, staff costs, depreciation, rental and commission paid to sales and marketing staff, entertainment, telephone expenses, motor vehicle expenses and travelling expenses.

Review of Group Financial Position**Property, Plant and Equipment (“PPE”)**

PPE decreased by RMB0.2 million, due to the depreciation charge in the period.

Inventories

Inventories increased by RMB0.4 million as a result of sale orders to be delivered in next quarter.

Prepayment, Trade and Other Receivables

Prepayment, Trade and other receivables decreased by RMB1.6 million due to the decrease in sales transaction engaged in 1Q2014.

Trade and Other Payables

Trade and other payables decreased by RMB3 million as a result of settlement of part of trade and other payables.

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 1Q2014 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.

We have experienced a persistent drop in turnover in both the local and overseas markets. Rising costs over the period in review will likely persist into the foreseeable future. Competition will also intensify both locally and overseas while the global economic environment will probably remain uncertain.

The Chinese Government measures to dampen the robust residential property market and rein in bank loans under a tightened credit policy also had a ripple effect on our business. The Group will develop new business strategies for the furniture business.

Concurrently, the Management is actively exploring ways to diversify into various other business opportunities to turn the Group around. Following that end, we are pleased to inform all shareholders that after months of intense negotiation, we have managed to sign a conditional sale and purchase agreement with Goyes Group, a diversified group of business based in Hunan, PRC, having business interests in the areas of properties investment, agriculture and tourism. Looking ahead, we will continue to exercise caution and capitalise on the right investment ventures to enhance shareholder value in the near future

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/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded for the three months ended 31 March 2014.

13. Interested Person Transactions (“IPTs”)

The Company has not obtained a general mandate from shareholders for interested person transactions.

14. Status report on**i) Use of IPO Proceeds**

<u>Future Plans</u>	<u>Remaining IPO Proceeds as at 31 December (RMB million)</u>	<u>Amount utilised (RMB million)</u>	<u>As at 31 March 2014 (RMB million)</u>
(i) Expand the sales and distribution network through collaboration with existing and new distributors in the	1.1	0.20	0.9
(ii) Strengthen our brand name	1.2	0.20	1.0
(iii) Upgrade our production facilities for our panel furniture and sofa products	2.0	-	2.0
(iv) Upgrade our CACOLA mega store in Dongguan City	1.3	-	1.3
(v) Balance as general working capital to finance our continued growth and development	0.0	-	-
	<u>5.6</u>	<u>0.40</u>	<u>5.2</u>

ii) Use of Placement Proceeds

As of the date of this announcement, the Company had fully utilised the placement proceeds according to the usage as announced on 2 November 2013.

BY ORDER OF THE BOARD

Zhou Zhuo Lin

Chief Executive Officer

14 May 2014

Confirmation by the Board
Pursuant to Rule 705(5) of the Listing Manual of the SGX-ST

On behalf of the Board of Directors of the Company, we, Zhou Zhuo Lin and Zhou Min Zong, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the first quarter ended 31 March 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Zhou Zhuo Lin
Chief Executive Officer

Zhou Min Zong
Executive Director