

**CACOLA FURNITURE INTERNATIONAL LIMITED**

(Incorporated in the Cayman Islands)

Company Registration No. 179492

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**RESPONSE TO SGX'S QUERIES ON THE FULL YEAR FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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*Capitalised terms used in this announcement shall, save as otherwise defined, have the same meanings as ascribed to them in the FY2014 Financial Results Announcement (as defined hereinafter).*

The Board of Directors (the “**Board**” or the “**Directors**”) of Cacola Furniture International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Company’s announcement on 27 February 2015 in relation to the unaudited financial statements of the Company for full year ended 31 December 2014 (“**FY2014 Financial Results Announcement**”).

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) has on 17 March 2015, requested the Company to provide further information in respect of the FY2014 Financial Results Announcement. The queries by the SGX and the Company’s answers are set out below.

**SGX Queries:**

- (1) We note on page 3 and 12 of the Company’s financial results that Trade and other receivables has increased by 11.8% from RMB 37.3 million to RMB 41.7 million due to increase in prepayment and deposit paid for the reverse take-over project. Please provide the following information:-

(a) To clarify ‘deposit’ paid to whom and relating to what expenditure.

(b) To disclose the terms of the deposit.

**Company’s Response** : As set out on page 12 of the FY2014 Financial Results Announcement Trade and other receivables has increased by 11.8% from RMB 37.3 million to RMB 41.7 million due to increase in prepayment and deposit paid for the reverse take-over project. The breakdown for the RMB 41.7 million is set out below:

	<b>RMB (‘000)</b>
Prepayment for construction in progress	31,597
Trade and other receivables	5,384
Deposit/ prepayment for RTO	4,700
<b>Total</b>	<b>41,681</b>

“Prepayment for construction in progress” comprises advance payments made to to Dongguan City Quxin Decorative Advertising Co., Ltd (东莞市聚兴装饰广告有限公司, formerly known as 东莞市新聚雅装饰广告有限公司) for the construction of the new megastore located at Sukeng Road, Changlang Avenue, Changping County,

Dongguan City, Guangdong Province, PRC. This amount will be recognised as property, plant and equipment once the construction completed.

The “Deposit/ prepayment to RTO” relates to progressive payments to professional parties in relation to the proposed reverse-takeover exercise, which includes payment of (i) RMB957,000 to the reporting accountant, (ii) RMB 975,000 to the financial adviser, (iii) RMB 2,200,000 to the legal advisers of the Company, and (iv) RMB 568,000 to the independent valuer. These are professional or retainer fees payable in accordance with the terms and conditions of the engagement.

- (2) We note on page 3 and 12 of the Company’s financial results that Trade and other payables increased by 18.3% from RMB20.8 million to RMB24.6 million due to increase in accrued reverse take-over expenses. Please provide the following information:-

- (a) To disclose how much of the RMB24.6 million relates to the RTO expenditure and disclose the reasons for the significant amount of payable.

**Company’s Response :** The amount represented accrued corporate expenses, salaries and allowances and other sundry expenses,

The amount presented includes accrued professional fees to professional parties in relation to the RTO exercise. These professional fees include fees to the financial adviser of RMB 751,000, the legal advisers of the Company of RMB 788,000, and the independent business valuer of RMB 99,000. The Company is in the progress of obtaining necessary approval for a placement facility to finance RTO exercise and the amount will be settled once the funding in place. The breakdown of the Trade and other payables is set out below:

	<b>RMB (‘000)</b>
Trade payables	5,859
Accruals and other payables	15,421
Tax payables	1,707
Accrued RTO expenses	1,638
<b>Total</b>	<b>24,625</b>

**BY ORDER OF THE BOARD**

**ZHOU ZHUO LIN**  
**CHIEF EXECUTIVE OFFICER**

18 March 2015