

CACOLA FURNITURE INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands)

Company Registration No. 179492

CLARIFICATION ON THE FULL YEAR FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 - RESPONSE TO SGX'S QUERIES

Capitalised terms used in this announcement shall, save as otherwise defined, have the same meanings as ascribed to them in the FY2013 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 28 February 2014 in relation to the unaudited full year financial statement of the Company for the financial year ended 31 December 2013 (“**FY2013 Financial Results Announcement**”).

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) has on 18 March 2014, requested the Company to provide further information in respect of the FY2013 Financial Results Announcement. The queries by the SGX-ST and the Company’s corresponding answers are set out below.

SGX-ST Queries:

- (1) **The Company disclosed that its revenue decreased by 69.8% in FY2013 from FY2012 but its selling and distribution expenses increased by 18.8% to RMB20.2 million during the same period under review. To provide breakdown and elaborate on the material expenses.**

Company’s Response : Although sales revenues decreased by 69.8% from RMB119.9 million in FY2012 to RMB36.2 million in FY2013, the Group had increased advertising and business development expenditures from RMB17.0 million in FY2012 to RMB20.2 in FY2013 in an attempt to improve the Group’s performance and customer base in the People’s Republic of China and other locations.

The selling and distribution expenses comprise of the following items:

	FY2013 (RMB 'million)
General Administration	5.9
Advertising and Promotion	6.2
Business Development	7.0
Salary, allowance and commission	1.1
Total Selling and Distribution Expenses	<u>20.2</u>

- (2) The Company reported a write-off of inventories totaling RMB2.98 million in FY2013. To provide details. Please also provide a discussion on why a write-off is necessary even after the write-off of inventories of RMB9.4 million in FY2012.

Company's Response : On the stock-taking and inspection of the Group's inventory at the end of 2013, it was discovered that some products had been damaged due to growth of mold. Such inventories are not saleable and on the basis of prudence, management has decided to write off these inventories.

- (3) The Company disclosed that its trade and other receivables was RMB38.7 million as at 31 December 2013, an amount which is higher than its FY2013 revenue of RMB36.2 million. To provide breakdown of this amount, an aging analysis and nature of the underlying transactions which resulted in the material outstanding balance.

Company's Response : The trade and other receivables of the Company as at 31 December 2013 was RMB38.7 million, a decrease of RMB1.3 million from 31 December 2012.

As disclosed in Note 6 to the Financial Statements in the annual report of the Group for the financial year ended 31 December 2012 ("**FY2012 Annual Report**"), the bulk of the trade receivables relate to a RMB31.6 million pre-payment made to a contractor (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 project for the construction of a new megastore located at Sukeng Road, Changlang Avenue, Changping County, Dongguan City, Guangdong Province. The project has been suspended subsequently pending advice from the authorities as the surrounding infrastructure has been damaged by the on-going railway construction.

The breakdown for the "Trade and Other Receivables" is as follows:

	FY2013 (RMB 'million)
Trade Receivables	6.0 ⁽¹⁾
Prepayment	31.6
Other Receivables and Deposits	1.1
Total Trade and Other Receivables	<u>38.7</u>

Note:

(1) Aged less than 60 days

- (4) The Company disclosed that the Group's major customers are located in the PRC, United States of America and Canada ("North America"), Spain and South Africa. If so, please provide the reasons why the Company indicated in its segmental results that no sales were made to North America, Africa and Spain in FY2013 and sales

were booked only in PRC and under the classification “others” in its geographical segments. Please explain what region does “others” refer to.

Company’s Response : While the Company is working hard to secure customers in areas other than in the PRC and Hong Kong, for FY2013, the Company did not manage to successfully secure customers in other regions. Consequently, the Company would also like to revise the reference to the geographical location of the Group’s major customers in Paragraph 14 of the FY2013 Financial Results Announcement. The Group’s major customers are currently in the PRC and Hong Kong.

For the purpose of the segment reporting under Paragraph 14 of the FY2013 Results Announcement, “**Others**” refers to the Hong Kong SAR.

BY ORDER OF THE BOARD

ZHOU ZHUO LIN
CHIEF EXECUTIVE OFFICER
19 March 2014