UNLOCKING POTENTIAL

ANNUAL REPORT 2014

Cacola Furniture International Limited
家居樂傢俬國際有限公司

CONTENTS

CORPORATE PROFILE

SOFA

We manufacture fabric and leather sofas. Our sofas come in full fabric, full and half leather types. Our sofa sets usually comprise a set of a one-seater, a two-seater and a three-seater or a set of two one-seater and a three-seater. Currently, we are still focusing on the design for fabric sofas.

PANEL FURNITURE

We have an extensive range of panel furniture products for home and office which include (i) display cabinets, shelves, tables, chairs for the living room, (ii) beds, chests of drawers, wardrobes, nightstands, armories and children's furniture for the bedroom, (iii) dining tables, chairs, sideboards, cabinets for the dining room and (iv) writing desks, bookcases, computer units for office. Currently, we have five main series of panel furniture products, namely the "Baidu" series, "Teak" series "Sandalwood" series, "White Oak" series and "Black Walnut" series.

LAYING THE FOUNDATIONS

CHAIRMAN'S MESSAGE

Dear Shareholders,

The Financial Year ended 31 December 2014 ("FY2014") was a challenging year for us. The Group was faced with dampened global economic growth caused by unfavourable market conditions due to Europe's debt crisis and the sluggish growth in the USA. This led to muted activity, weighing down growth in the domestic market in China, which declined to 7.4%, the lowest growth rate the country had experienced in the past 24 years.

The PRC Government's measures to moderate the booming property market as well as the tightened credit policy to rein in bank loans impacted our business profit. Volatile prices of major raw materials for furniture production further eroded our margins, with sales decreasing across all our product types for panel furniture, sofa, and mattresses. Total revenue for the year in review dipped 31.8% to RMB24.7 million in FY2014, as compared to RMB36.2 million for FY2013.

Business Outlook & Strategies

The International Monetary Fund's World Economic Outlook projections imply that global growth will strengthen gradually. However, global economic growth is expected to remain challenging in the short term. Downside risks will continue to dominate the outlook. Compounding that, implementation of property cooling measures by the PRC Government will further impact our furniture business as potential new home buyers continue to find it challenging to buy properties.

During the year 2014, with the increase in manufacturing costs, gross margin was severe impacted in both our local and overseas markets.We anticipate that rising costs over the period in review will likely persist in the future due to accelerated inflation in the domestic market. Alongside lingering uncertainty in the global economic environment, competition will also intensify in local and overseas markets. The Group will devise new strategies for our furniture business to overcome the lacklustre performance caused by weak market sentiment.

Concurrently, the Management is actively exploring ways to diversify into various other business opportunities to turn the Group around. In April 2014, we manage to sign a conditional sale and purchase agreement with Goyes Group, a diversified group of businesses based in Hunan, PRC, with business interests mainly in the hog agriculture business. The company has completed various due diligence reviews on the Goyes Group, and pre-clearance submission had been made to the Singapore Exchange (SGX). Upon the successful Reverse Take-Over (RTO), the company will transform into a group, which holds a profitable meat processing and related businesses. The management is actively engaged with professionals and regulators working towards completing the RTO in 2015. Looking ahead, we will continue to exercise caution and capitalise on the right investment ventures to enhance shareholder value in the near future.

In Appreciation

On behalf of the Board, I would like to thank all our shareholders, business partners, associates and staff for your support and contribution to the Company through the years. As the Group undergoes a transitional period, we seek your kind understanding and support to stand by us as we pursue various viable business opportunities to bring us back to growth.

Chow Tat Ming Henry
Chairman and Executive Director

Financial Year in Review

For the year ended 31 December 2014 ("FY2014"), we recorded a significant decrease in sales of panel furniture, sofa and mattress. Our total revenue declined by RMB11.5 million or 31.8% from RMB36.2 million for the year ended 31 December 2013 ("FY2013") to RMB24.7 million for FY2014. The decline in our total revenue was mainly attributable to the decrease in the sales of mattresses by approximately RMB1.0 million, sofa by RMB4.0 million and panel furniture by RMB7.2 million. Panel Furniture remained our biggest product type, comprising 64% of our total revenue.

Geographically, revenue from both the PRC market and Export market suffered a drastic drop with a revenue fall of 38% and 65% respectively. 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 major raw materials used for furniture production included MDF boards, fabric, foam and metal hardware. During FY2014, we faced rising costs in major raw materials charged by our suppliers, resulting in further deterioration in our gross profit margin.

Cash Flow

During FY2014, cash and bank balances decreased by RMB20.2 million from RMB22.3 million as at 31 December 2013 to RMB2.1 million as at 31 December 2014.

Net Cash used in Operating Activities

We recorded a net cash outflow from operating activities of RMB31.9 million in FY2014 which comprised cash outflow from operating loss before working capital changes of RMB29.7 million adjusted for net working capital outflow of RMB2.2 million.

Net Cash used in Investing Activities

We recorded a net cash outflow from investing activities of approximately RMB1.3 million arising mainly from the acquisition of PPE amounting to RMB1.3 million.

Net Cash generated from Financing Activities

We recorded a net cash inflow from financing activities of approximately RMB13 million arising from loans borrowing during the year.

Outlook

During the year in review, just like the other operators in the market, we suffered a significant drop in turnover in both our domestic and overseas markets. Rising costs over the year are likely to persist into the foreseeable future due to accelerated domestic inflation. We believe that due to the escalating prices of residential prices of the residential property market, the PRC government will continue to tighten its restrictions on home purchases, further intensifying competition from both domestic and overseas industry players.

At macro-level, the global economic environment will probably remain uncertain. Moving forward, we will maintain our conservative outlook for the coming year, bearing in mind the renewed uncertainties in the global financial markets and signs of instability in many parts of the world.

STRUCTURING A BRIGHTER FUTURE

BOARD OF DIRECTORS

Chow Tat Ming Henry

Chairman and Executive Director

Mr Chow Tat Ming Henry was appointed Chairman and Executive Director on 30 September 2011. He is responsible for charting and implementing new business strategies and setting an innovative direction for the future of the Group. From 2001 to 2008, Mr Chow founded and acted as the Chief Executive Officer ("CEO") of Carriernet Corporation Limited (CNET), leading the products, sales, business development and commercial operations of the business. In February 2008, he was appointed as the CEO and Executive Director of Ariane Corp/Carriernet Global Limited where he was responsible for driving the Group's vision, growth and profitability, and held a key role in executing the business plan, driving sales performance and building strategic partnerships. Since 2010, Mr Chow has been a Director of his own consulting firm, Primax Investments and Capital Limited, which specialises in the development of international business on the Chinese satellite services as well as guiding and assisting firms that require recapitalization, mergers and acquisitions, or equityrelated activities. Mr Chow also has a liability partnership with a New York based Long State Investment Group which invests in growing sectors including oil & gas, mining, alternative energy, technology and biotech. Mr Chow graduated from the University of Minnesota with a Bachelor of Computer Science degree. He was last re-elected on 11 October 2013.

Yeo Kan Yen Alvin

Vice-Chairman and Executive Director

Mr Yeo Kan Yen Alvin was appointed Independent Director on 30 September 2011 and was re-designated as a Vice-Chairman and Executive Director on 8 March 2013. Mr Yeo was appointed Independent Director and Chairman of the Audit Committee of Oceanus Group Limited in July 2013. Mr. Yeo served as the Chief Operating Officer and Executive Director of Carriernet Global Ltd (now Polaris Ltd.) from February 25, 2008 to September 27, 2012. Mr Yeo was responsible for the overall general management, operational and strategic planning, sales and marketing activities at Carriernet Global. He joined CarrierNet Corporation (Singapore) Pte Ltd as Sales and Marketing Director on October 2, 2006, and as its Managing Director since November 1, 2007 to Present. From 2000 to 2002, Mr Yeo was the Vice President- International in Prudential Capital Technologies (China) Limited. From 2002 to 2003, he was appointed as Chief Operating Officer at PT. Atlasat Solusindo. From 2004 to 2006, Mr Yeo was the Regional Sales Manager for Nagamei Marine Pte. Ltd. He has a Bachelor in Business Administration in Accounting from the University of Hawaii at Manoa and Masters in Information System Management from Hawaii Pacific University. He was last re-elected on 30 April 2014.

Zhou Zhuo Lin

Chief Executive Officer and Executive Director

Mr Zhou Zhuo Lin was appointed Chief Executive Officer ("CEO") and Executive Director on 28 October 2011 and is responsible for managing and overseeing the Group's furniture business. From 1989 to 2008, Mr Zhou worked as the government official where he managed the day to day operations of the governmental bureau for business development for Chang Ping Town, and has served in several positions in the Chang Ping Government such as the Deputy Director, Director and a Communist Party Secretary. From 2008 to 2009, he was the Director of Chang Shum Metal and Plastic Company of Guangzhou, in charge of business operations and the Human Resources Department. Since 2009 to present, he has been a Senior Consultant to Chang Ping Governmental Real Estate Development Company responsible for advising the government on urban real estate development strategy. Prior to his appointment as Executive Director and CEO of the Company, Mr Zhou was an advisor to the CEO, in the financial, operational, product development, furniture production and management aspects of the business. Mr Zhou graduated from Dong Guan University with a Bachelor Degree in Business Administration. He was last re-elected on 31 July 2013.

Zhou Min Zong

Executive Director and Finance Director

Mr Zhou Min Zong was the Head of Finance and Operations of the Group in November 2005, and was appointed Executive Director on 13 December 2011. He is responsible for assisting the CEO in the daily operations and management of the furniture business and to strengthen the areas of sales and marketing, channel management and cost effectiveness of the Group. From April 2001 to May 2003, Mr Zhou served as Senior Marketing Executive in China Construction Bank, Dong Guan Branch, and was subsequently appointed as Senior Accounting Officer in June 2003. He held the position of Senior Accounting Officer till June 2004. From July 2004 to October 2005, Mr Zhou held the position of Deputy President of China Construction Bank, Dong Guan Branch. Mr Zhou is also the Head of Finance and Operations of the Group since November 2005. Mr Zhou graduated from Central South University with a Bachelor Degree in Business Administration in Accounting. He was last re-elected on 31 July 2013.

Lau Kay Heng

Lead Independent Director

Mr Lau Kay Heng was appointed Independent Director on 8 March 2013 and was appointed Lead Independent Director during the financial year. Mr Lau has over 20 years of corporate management and corporate advisory experience spanning the Asia Pacific region for various multinational and Singapore listed companies in the medical, chemical, pharmaceutical, interior floor covering and environmental industries. Mr Lau is currently the Managing Director of a boutique corporate advisory firm specializing in corporate advisory, private equity, merger & acquisition, IPO transactions in Singapore, China, Korea , Australia and other countries in the region. Mr Lau is also the Chairman of Asia M&A Group, which is an alliance of member firms in the pan Asian region specialising in cross border M&A activities. Mr Lau was awarded the prestigious Public Service Commission Scholarship and graduated from the National University of Singapore with a Bachelor of Science degree. He was last re-elected on 31 July 2013.

Ho Soo Jeow

Independent Director

Mr Ho Soo Jeow was appointed Independent Director on 30 September 2011. From June 2000 to June 2004, Mr Ho was the Country Manager for Grandtel Communications Pte Ltd. Mr Ho served as the Country Manager for Kinergy Limited beginning July 2004, and was subsequently appointed as the General Manager in June 2005, where he served till October 2007. From October 2007 to November 2008, Mr Ho was the Sales Director for XSYS Network Solutions Pte Ltd. From December 2008 to May 2011, he held the position of College Director/Principal of Raffles International College Hong Kong Limited. Mr Ho graduated from Ottawa University (Kansas City) with a Bachelor of Arts Degree in Business Administration. Mr Ho was last re-elected on 30 April 2014.

Fan Cheuk Siu

Independent Director

Mr Fan Cheuk Siu was appointed Independent Director on 30 September 2011. Mr Fan had run his own accounting firm for 28 years, specialising in the areas of tax planning, tax field audit arrangement, accounting consultancy and so on. Moreover, he has been a member of the Junior Chamber International Hong Kong Limited (JCI HK) since 1999. He has done lots of voluntary work and given advice to the members on how to perform with according meeting proceedings. Mr Fan completed his studies from Hong Kong Polytechnic University in 1986. Mr Fan was last re-elected on 11 October 2013.

KEY EXECUTIVES

SONG CHANG MING
Design and Development Manager

Mr Song Chang Ming, Design and Development Manager, is responsible for all the design and development activities for the Group's panel, sofa and mattress products. Mr Song has over 20 years of working experience as a designer, including mould design and furniture design. He joined the Group in 2001 as a product designer. Mr Song graduated from 湖南省祁阳师范学校 in 1990.

GUO YING JIE
Administrative Manager

Mr Guo Ying Jie, Administrative Manager, is responsible for the administrative functions of the Group. Mr Guo has over 5 years of working experience as an administrative officer. He joined the Group in 2011. Mr Guo graduated from 洛阳市理工学院.

ZHOU JIN QUAN
Purchasing Manager

Mr Zhou Jin Quan was appointed Purchasing Manager in January 2009 and is responsible for the procurement of all raw materials for the manufacture of panel, sofa and mattress products. He joined Dongguan Cacola in September 2008 as a purchasing officer. Mr Zhou graduated from 东莞理工学院.

WANG SI QING
Production Manager

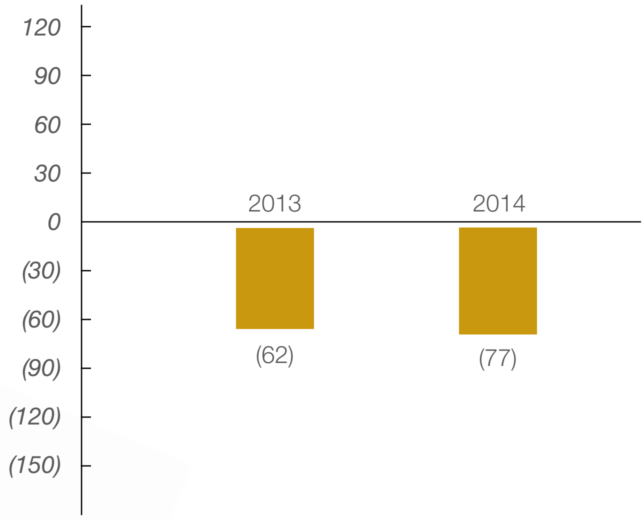
Mr Wang Si Qing, Production Manager, is responsible for the overall operations of the Group's production facilities in Dongguan City. Mr Wang has over 22 years of working experience in the purchasing and production field. From 1988 to 1999, he worked as a purchasing officer for another company before joining the Group as production officer. Mr Wang graduated from 湖北省机械工业学校.

ZHOU WAN QIONG
Finance Manager

Ms Zhou Wan Qiong was appointed Finance Manager in 2011 and is responsible for the overall finance and accounting matters of the Group's PRC subsidiaries. Ms Zhou graduated from东莞理工学院.

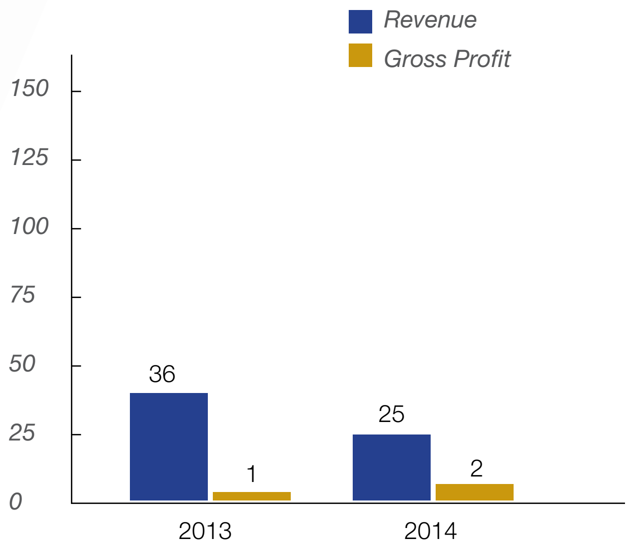
LOSS BEFORE INCOME TAX AND LOSS FOR THE YEAR

(RMB million)

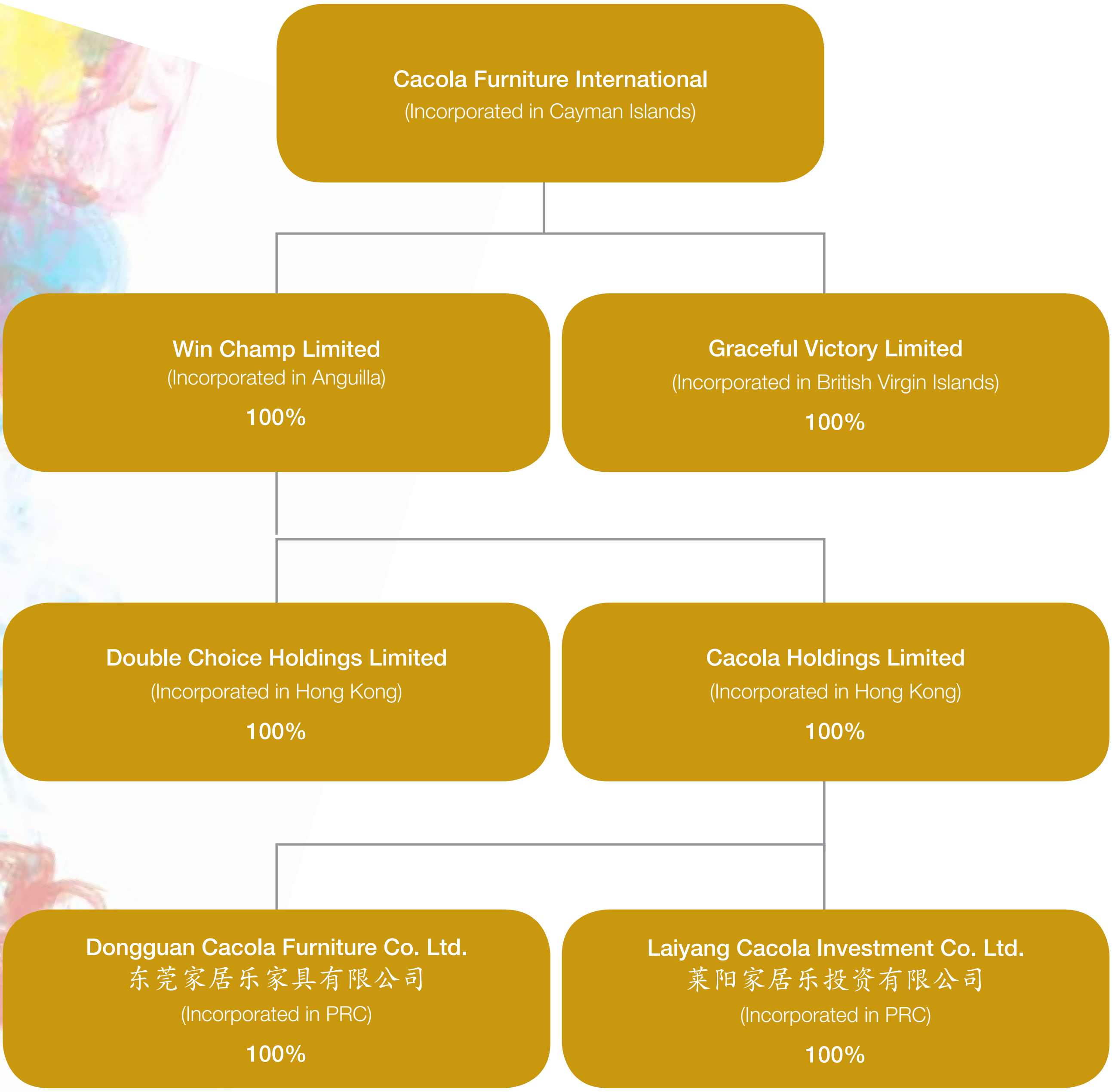


REVENUE AND GROSS PROFIT

(RMB million)



GROUP STRUCTURE



CORPORATE INFORMATION

Cayman Islands Company Registration number: 179492

Board Of Directors
Chow Tat Ming Henry
(Chairman and Executive Director)
Yeo Kan Yen Alvin
(Vice-Chairman and Executive Director)
Zhou Zhuo Lin
(Chief Executive Officer and Executive Director)
Zhou Min Zong
(Executive Director and Finance Director)
Lau Kay Heng
(Lead Independent Director)
Fan Cheuk Siu
(Independent Director)
Ho Soo Jeow
(Independent Director)

Audit Committee
Lau Kay Heng (Chairman)
Fan Cheuk Siu
Ho Soo Jeow

Nominating Committee
Fan Cheuk Siu (Chairman)
Lau Kay Heng
Ho Soo Jeow

Remuneration Committee
Fan Cheuk Siu (Chairman)
Ho Soo Jeow
Lau Kay Heng

Company Secretaries
Tan San-Ju, FCIS
Cheng Lisa, ACIS

Assistant Secretary
Codan Trust Company (Cayman) Limited

Registered Office
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business
Changlang Avenue
Changping Town, Dongguan City
Guangdong Province
PRC 523577
Tel: 86-769-83398728
Fax: 86-769-83332645

Share Registrar
Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Independent Auditor
Foo Kon Tan LLP
47 Hill Street #05-01
Singapore Chinese Chamber
of Commerce & Industry Building
Singapore 179365
Partner- In-Charge
Robin Chin Sin Beng
Date of appointment: 13 June 2013

CORPORATE GOVERNANCE AND FINANCIAL CONTENTS

The Company recognizes the importance of good corporate governance practices. The Board of Directors and Management are committed to use its best endeavors to align the governance framework with the recommendations under the revised Code of Corporate Governance which was issued on 2 May 2012 (the "2012 Code").

This report describes the Company's corporate governance practices with reference to the principles of the 2012 Code, where applicable, and has explained areas of non-compliance.

(A) BOARD MATTERS

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

The Board is responsible for supervising the management of the business and affairs of the Group. Its primary duty is to ensure the viability of the Group and it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The principal functions of the Board include:

- reviewing and approving corporate strategies, annual budgets and financial plans and monitoring the organizational performance;
- overseeing the processes for evaluating the adequacy of the internal controls, risk management systems and the financial reporting systems;
- ensuring the Group's compliance to laws, regulations, policies, guidelines and internal codes of conduct;
- recommending the declaration of dividends;
- approving nominations to the Board of Directors and endorsing the appointments of the management team and external auditors;
- approving quarterly and full year results announcements, circulars, audited financial statements and annual reports;
- reviewing and approving the remuneration packages for the Board and key executives; and
- ensuring accurate, adequate and timely reporting to shareholders.

The Group has in place internal guidelines and approval limits for operational, financial and capital expenditure requirements. Under these guidelines, Board approval is required for transactions that exceed certain financial thresholds.

The Board is scheduled to meet at least 4 times a year. Ad-hoc meetings will be held as and when required to address any significant issues that may arise. The Company's Articles of Association provide for meetings to be held via telephone, electronic or other communication facilities which permits all persons participating in the meeting to communicate with each other simultaneously.

The Board has established specific Board Committees with its own written terms of reference to assist in the efficient implementation of its functions, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). Specific responsibilities have been delegated to each of these committees.

The attendance details of the Directors at Meetings of Board and the Board Committees during the financial year under review, are set out below:

	Board	AC	NC	RC
No. of Meetings held in FY2014 Name Of Directors	5 Attended	5 Attended	1 Attended	1 Attended
Chow Tat Ming Henry	3	N/A	N/A	N/A
Zhou Zhuo Lin	1	N/A	N/A	N/A
Zhou Min Zong	5	N/A	N/A	N/A
Yeo Kan Yen Alvin	5	N/A	N/A	N/A
Fan Cheuk Siu	3	3	1	1
Ho Soo Jeow	5	5	1	1
Lau Kay Heng	4	4	1	1

N/A - Not applicable.

No new Director was appointed to the Board for FY2014. Newly appointed Directors, if any, will receive an orientation that includes briefing by Management on the Group's structure, businesses, operations and policies. Appropriate training/ briefing will be provided for new Directors who have no prior experience as Directors of a listed company in Singapore. Letters of appointment setting out Directors' duties, obligations and the terms of appointment, will be issued to new appointees to the Board.

As part of their continuing education, the Directors may attend relevant training seminars or informative talks, to apprise themselves of legal, financial and other regulatory developments, at the Company's expenses. The Directors was updated on amendments/requirements of the SGX-ST, and other statutory and regulatory requirements from time to time.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board currently comprises seven Directors, one-third of whom are Independent Directors.

Name of Directors		AC	NC	RC
Chow Tat Ming Henry	Chairman and Executive Director	–	–	–
Yeo Kan Yen Alvin	Vice-Chairman and Executive Director	–	–	–
Zhou Zhuo Lin	Chief Executive Officer and Executive Director	–	–	–
Zhou Min Zong	Executive Director and Finance Director	–	–	–
Fan Cheuk Siu	Independent Director	Member	Chairman	Chairman
Ho Soo Jeow	Independent Director	Member	Member	Member
Lau Kay Heng	Lead Independent Director	Chairman	Member	Member

The size of the Board will be reviewed from time to time to ensure that it can provide the optimum balance to facilitate effective decision making. The Board is of the opinion that its current board size of seven Directors is appropriate, taking into account the nature and scope of the Company's operations and the core competencies of the Directors with accounting, business and management, finance and strategic planning experience. Profiles of the Directors' professional qualifications and background are set out on pages 8 and 9 of the Annual Report.

Independent and Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternative perspectives to the Group's business. When challenging Management proposals or, decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

Independent Directors communicate with each other without the presence of Management as and when the need arises.

The NC, which has the responsibility of reviewing the independence of each Director on an annual basis, had adopted the 2012 Code's definition of "independent" Director.

For FY2014, none of the Independent Directors have served on the Board beyond 9 years from the respective date of their first appointment which is subject to particularly rigorous review.

PRINCIPLE 3: EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the Executive Chairman and Chief Executive Officer ("CEO") which ensures that there is a balance of power and authority at the top, such that no individual or small group of individuals dominates the Board's decision making process.

Chow Tat Ming Henry and Zhou Zhuo Lin are currently the Executive Chairman and CEO of the Company respectively and are not related. Mr Chow focuses on exploring and developing the new business direction for the Group and strengthening the liquidity margin for future ventures. He also played an instrumental role in encouraging constructive discussion and sharing of views among the board members. Mr Zhou is responsible for overseeing the overall management and business operations of the Group with the Finance Director, Zhou Min Zong.

Lau Kay Heng, the Lead Independent Director of the Company, is available to address shareholders' concerns on issues that have not been satisfactorily resolved or cannot be appropriately dealt with by the Chairman, CEO and the Finance Director.

PRINCIPLE 4: BOARD MEMBERSHIP

The Nominating Committee ("NC") comprises three members, all of whom are Independent Directors.

Fan Cheuk Siu (Chairman)
Lau Kay Heng
Ho Soo Jeow

The NC Chairman is not associated with a substantial shareholder of the Company.

The NC was established to perform the following key duties and responsibilities under its written terms of reference:

- reviewing the Board structure, size and composition and make recommendations to the Board where appropriate;
- determining the process for search, nomination, selection and appointment of new board members and assessing nominees or candidates for appointment or election to the Board;
- determining, on an annual basis, if a Director is independent;
- recommending the nomination of those Directors who are retiring by rotation to be put forward for re-election;
- reviewing Board succession plans for Directors, in particular, the Chairman and CEO;
- reviewing training and professional development programs for the Board;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations; and
- assessing the effectiveness of the Board as a whole and for assessing the contribution each of the Director to the effectiveness of the Board.

The written Process for Selection and Appointment of new Directors has provided the procedure for identification of potential candidates' skills, knowledge, and experience, assessment of candidate's suitability and recommendation for nomination to the Board.

In accordance with the Company's Articles of Association, every Director is required to retire at least once every three years and, shall be eligible for re-election. All newly appointed Directors will have to retire at the next Annual General Meeting ("AGM") following their appointments.

The NC has recommended the nomination of Zhou Zhuo Lin, Zhou Min Zong and Lau Kay Heng for re-election at the forthcoming AGM of the Company. The Board has accepted the NC's recommendations and accordingly, all 3 Directors will be offering themselves for re-election at this AGM.

In recommending a Director for re-appointment to the Board, the NC considers each of their contribution including attendance and participation at Board and Board committees and the time and efforts accorded to the Group's business and affairs.

Each NC member will abstain from voting on any resolution in respect of the assessment of his performance and contribution for re-nomination as a Director of the Company.

The NC has adopted internal guidelines to address competing time commitments of Directors who serve on multiple boards and have other major commitments. The Board has determined that a Director should not have more than 5 listed company board representations.

The NC also considered, and is of the opinion, that the multiple board representations held by Directors of the Company do not impede their performance in carrying out their duties to the Company.

The Company does not have alternate Director.

The NC had reviewed the independence of the Board members with reference to the guidelines set out in the 2012 Code and, has determined that Fan Cheuk Siu, Lau Kay Heng and Ho Soo Jeow to be independent.

PRINCIPLE 5: BOARD PERFORMANCE

Performance evaluation was conducted for the Board as a whole for FY2014, by having the Directors to complete a questionnaire which include questions on the Board's composition and effectiveness as well as process and contribution. The findings were analysed and discussed with a view to further enhance the effectiveness of the Board. No external facilitator had been appointed by the Board for this purpose.

The NC had taken into consideration that the Company is currently undergoing a Reverse Takeover transaction on the proposed acquisition of GOYES Group, is of the view that the current process to assess the Board's performance as a whole is adequate to measure the effectiveness of the Board's performance and there is no necessity to carry out an evaluation of each individual Director. As the Board Committees, namely AC, NC & RC, comprise members who are Independent Non-Executive Directors, the NC had reviewed and considered that separate assessment of the effectiveness of each Board Committees as recommended by the 2012 Code was not deemed necessary and that assessment of the Board as a whole was sufficient for the time being.

PRINCIPLE 6: ACCESS TO INFORMATION

The Executive Directors and the senior Management keep the Board informed of the Group's operations and performance through updates and reports as well as through informal discussions. Prior to the meetings of the Board and/or Board Committees, Directors are provided, where appropriate, with management information to enable them to participate at the meetings. In addition, Board members have separate and independent access to the senior Management and the Company Secretary.

The Company Secretaries and/or their representatives provides secretarial support to the Board, ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary attends Board and Board committee meetings. The appointment and the removal of the Company Secretary should be a matter for the Board as a whole.

Where decisions to be taken require expert opinion or specialized knowledge, the Board may seek independent professional advice to assist them in their duties at the Group's expense.

(B) REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The Remuneration Committee ("RC") comprises three members, all of whom are Independent Directors.

Fan Cheuk Siu (Chairman)
Ho Soo Jeow
Lau Kay Heng

The RC is governed by the following key written terms of reference and responsibilities:

- reviewing and recommending to the Board a framework of remuneration and determining the specific remuneration packages and terms of employment of the Directors and key management of the Group;

- functioning as the committee referred to in the Cacola Employee Share Option Scheme ("the Scheme") and shall have all the powers as set out in the Scheme; and

- carrying out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

The scope of RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, and benefits-in-kind. The remuneration packages take into consideration the long-term interests of the Group, industry standards, and ensure that the interests of the Executive Directors align with that of shareholders.

The RC makes recommendations on an appropriate framework of remuneration taking into account employment conditions within the industry and the Group's performance to ensure that the package is competitive and sufficient to attract, retain and motivate the Directors and key management. On the other hand, the Company avoids paying more than it is necessary for this purpose. Elements of the Group's relative performance and the performance of the individual Directors form part of the Executive Directors' remuneration packages so as to align their interests with those of shareholders and promote long-term success of the Company.

The Group offers a comprehensive and competitive remunerations and benefits package to all its employees, linked to individual performance of the employee and the performance of the Group. The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and key management's service agreements, to ensure that such contracts contain fair and reasonable termination clauses which are not overly generous. The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from Executive Directors and key management in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

The RC has assessed to professional advice regarding compensation matters, if required.

Independent and Non-Executive Directors are paid Directors' fees based on their contribution and responsibilities on the Board and Board Committees. Directors' fees are subject to shareholders' approval at the AGM.

The RC has recommended to the Board a Directors' fees of S$175,000 for FY2015, to be paid in arrears. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

The annual remuneration band of each Individual Director and key management for the financial year ended 31 December 2014, are set out below:

(i) **Directors' and CEO's Remuneration –**

Name	Fees %	Salary %	Total %
S$250,001 to S$500,000 per annum			
Chow Tat Ming Henry	0	100	100
Below S$250,000 per annum			
Zhou Zhuo Lin	0	100	100
Zhou Min Zong	0	100	100
Yeo Kan Yen Alvin	0	100	100
Fan Cheuk Siu	100	0	100
Ho Soo Jeow	100	0	100
Lau Kay Heng	100	0	100

(ii) **Key Management's Remuneration**

Name	Fees %	Salary %	Total %
Below S$250,000 per annum			
Song Chang Ming	0	100	100
Zhou Jin Quan	0	100	100
Zhou Wan Qiong	0	100	100
Guo Ying Jie	0	100	100
Wang Si Qing	0	100	100

The Company believes that it is not in the best interest to disclose the precise remuneration of the Directors and key management due to the confidentiality and sensitivity of the matter and the highly competitive market for talents. The Company has, however, disclosed the remuneration of the Directors in bands of S$250,000.

The aggregate remuneration paid to the top 5 key management (who are not Directors or the CEO) was RMB320,000 for FY2014.

The Board is of the view that the current disclosure information on remuneration matter provides sufficient overview of the remuneration policies of the Group while maintaining the confidentiality of the Directors and staff remuneration matters.

During the year under review, no employee of the Group (remuneration exceeded S$50,000) was related to the Chairman, CEO, other Directors or substantial shareholder.

Details of employee share option scheme are set out in page 25 of the Annual Report. No options were granted under the scheme in FY2014.

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

The Board aims to provide a balanced and understandable assessment of the Group's financial performance to shareholders. Management provides the Board with detailed management accounts of the Group's performance and financial position on a regular basis.

Shareholders are informed of the financial performance of the Group through quarterly and annual result announcements and the various disclosures and announcements made to the SGX-ST via SGXNET.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognizes the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as establishing appropriate measures to control and mitigate these risks within the Company's policies and strategies.

The Board acknowledges its responsibility for maintaining a sound system of internal control framework. The controls are to provide reasonable assurance to safeguard shareholders' investments and the Group's assets. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The external auditors have, during the course of their audit, carried out a walkthrough of key internal controls within the scope of their audit. Material non-compliance and internal control weaknesses noted during the course of their audit and their recommendations are reported to the AC. The AC reviews the external auditors' comments and to ensure that there are adequate internal controls in the Group.

Based on the representations made by Management to the Board and existing management controls in place and on the assumption that no significant changes to the internal controls procedures following the issuance of the internal audit report by Raymond Chin & Co. for FY2013, since there were no significant changes to the management, business and practice of the Group for FY2014, the Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the internal controls addressing financial, operational, compliance; and information technology controls and risk management systems.

A framework has been established and the Board continues through the AC and Management, to improve and, enhance it on a continuing basis.

The Board has received assurance from the CEO and the Finance Director that:

(i) The financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(ii) Regarding the effectiveness of the Company's risk management and internal control systems.

PRINCIPLE 12: AUDIT COMMITTEE

The Audit Committee ("AC") of the Group comprises three members, all of whom are Independent Directors:

Lau Kay Heng (Chairman)
Fan Cheuk Siu
Ho Soo Jeow

The Board believes that the AC members have sufficient financial management expertise and experience in discharging their duties and responsibilities. The AC is governed by written terms of reference which includes mainly the following:

- review with the external auditors, their audit plan, evaluation of the systems of internal controls, audit report and management letter with Management's response;

- review the co-operation given by Management to the external auditors;
- review the annual and quarterly results announcements of the Group before submission to the Board for adoption;
- review annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors;
- review arrangements by which staff of the Group may in confidence, raise concerns about possible improprieties in financial reporting or, other matters;
- review the adequacy and effectiveness of the internal audit function;
- review the effectiveness and adequacy of the Group's internal controls, addressing the financial, operational, compliance and information technology controls and risk management policies;
- nominate external auditors for appointment, re-appointment, or removal, and approving their remuneration and terms of engagement; and
- review interested person transactions.

The AC has the authority to investigate any matter within its terms of reference. It has full access to Management and full discretion to invite any Director or Executive Officer to attend its meetings or be provided with reasonable resources to enable it to discharge its functions.

The AC met with the external auditors without the presence of Management, in respect of their audit for FY2014.

The Company confirms compliance with Rules 712 and 715 of the Listing Manual in engaging Foo Kon Tan LLP ("FKT"), as the external auditors of the Company and its significant subsidiaries for consolidation purposes. FKT is registered with the Accounting and Corporate Regulatory Authority.

Audit fees paid/payable to FKT amounted to S$280,000 for the financial year ended 31 December 2014. Pursuant to Rule 1207(6)(a) of Listing Manual, there are no non-audit fees paid to FKT. Accordingly, the AC is satisfied that the independence and objectivity of the auditors have not been affected.

The AC has recommended to the Board the nomination of FKT for re-appointment as auditors of the Company at the forthcoming AGM. The Company confirms that it had complied with Rule 712 of the SGX-ST Listing Manual.

During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending their release to the Board, as applicable; the annual audit plan of the external and internal auditors and the results of the audits performed by them; the list of interested person transactions; effectiveness and adequacy of the Group's internal controls systems; audit and non-audit services rendered by the external auditors and the re-appointment of external auditors and their remuneration.

The AC takes measures to keep themselves abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates provided by external auditors.

The Group has put in place a Whistle-Blowing Policy whereby staff of the Group and any other persons may in confidence, raise their concerns about possible improprieties in matters of financial reporting or other matters. The objective of the Policy is to ensure that arrangements are in place, for the independent investigation of such concerns and for appropriate follow-up action.

PRINCIPLE 13: INTERNAL AUDIT

The internal audit function is outsourced to Raymond Chin & Co. who reports directly to the AC. The IA conducts independent reviews, assessment and follow-up procedures on the Group's financial, operational and compliance controls and the IA's findings and recommendations are presented to and reviewed by the AC.

The AC met with the IA, at least annually, to review the adequacy and effectiveness of the internal audit function.

The AC approves the appointment, removal, evaluation and compensation of the IA.

The Group's Internal Auditor is an associate member of the Hong Kong Institute of Certified Public Accountants, has adopted and met with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. He has the requisite professional qualification, skill, knowledge and experience. He effectively fulfills the audit plan and timetable and issues audit reports timely. He is active in promoting awareness and importance of good governance, risk management and control matters.

(D) COMMUNICATION WITH SHAREHOLDERS

PRINCIPLES 14, 15 & 16:
SHAREHOLDER RIGHTS AND RESPONSIBILITIES
COMMUNICATION WITH SHAREHOLDERS
CONDUCT OF SHAREHOLDER MEETINGS

In line with continuous disclosure obligations, the Group is committed to regular and proactive communication with its shareholders. It is the Board's policy that the shareholders be informed of all major developments and events that impact the Group.

Information is communicated to the shareholders on a timely basis through:

- SGXNET releases and press/news releases;
- Financial statement containing a summary of the financial information and affairs of the Group for the quarterly and full year via SGXNET
- Annual reports/Circulars that are sent to all shareholders; and
- Notices of and explanatory notes for general meetings.

The Company does not have a fixed dividend policy. The form, frequency, and/or dividend payout will depend on the Company's financial performance and position, project capital expenditure, future investment plans and any other factors that the Directors consider relevant.

General meetings are the principal forum for dialogue and interaction with shareholders. During these meetings, shareholders are given opportunities to voice their views and seek clarification with the Board on any matters relating to the Group's business and operations.

The Company's Articles of Associations allow shareholders to appoint proxies to attend and vote on their behalf at general meetings. Resolutions are, as far as possible, structured separately and may be voted independently. Shareholders are invited to raise any questions relating to the resolutions before voting each of the resolution by poll.

The Chairpersons of the AC, RC and NC and the external auditors will be available at the AGM to attend to queries raised by shareholders.

The Company Secretary prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. Minutes of general meetings are available to shareholders upon their request.

The Board will adhere to the requirements under the new Rule 730A(2) of the Listing Manual where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015, at the forthcoming AGM.

CORPORATE GOVERNANCE

DEALINGS IN SECURITIES

The Group had adopted a policy governing dealings in securities of the Company for Directors and its officers. The Directors and officers are prohibited from dealing in securities of the Company for the periods commencing two weeks before the release of the quarterly results and at least one month before the release of full year results and at all times, if in possession of price-sensitive information. In addition, the Directors and officers of the Group are discouraged from dealings in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Group had established governing procedures to ensure that all interested person transactions are reported to the AC in a timely manner and that the transactions are conducted on an arm's length basis and are not prejudicial to the interest of the shareholders. There were no IPTs in FY2014.

MATERIAL CONTRACTS

There are no material contracts entered by the Group that involves the interests of the Directors or controlling shareholders which are still subsisting as at the end of FY2014, or if subsisting, entered into since the end of the previous financial year.

RISK MANAGEMENT

The Company regularly reviews and improves its business on operational level by taking into account the risk management perspective. The Company seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC.

STATUS REPORT ON USE OF IPO PROCEEDS

	Future Plans	Remaining IPO Proceeds as at 31 December 2014	Amount utlitised	Balance as at 31 March 2015
		(RMB million)	(RMB million)	(RMB million)
(i)	Expand the sales and distribution network through collaboration with existing and new distributors in the PRC	0.3	0.3	–
(ii)	Strengthen our brand name	0.4	0.4	–
(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	–	–	–
(v)	Balance as general working capital to finance our continued growth and development	–	–	–
		2.7	2.7	–

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2014.

Names of directors

The directors of the Company in office at the date of this report are:

Chow Tat Ming, Henry	
Yeo Kan Yen	
Zhou Zhuo Lin	
Zhou Min Zong	
Lau Kay Heng	(Lead Independent Director)
Fan Cheuk Siu	(Independent Director)
Ho Soo Jeow	(Independent Director)

Arrangements to enable directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares or debentures of the Company or of any other corporate body, other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company, none of the directors who held office at the end of the financial year was interested in shares or debentures of the Company or its related corporations.

Directors' benefits

Since the end of the previous financial year, no director has received or entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except for salaries, bonuses and fees and those benefits that are disclosed in Note 17 to the financial statements.

Employee Share Option Scheme

The Company implemented the Cacola Employee Share Option Scheme (the "Scheme") on 26 September 2007. The Scheme provides eligible participants with an opportunity to participate in the equity of the Company and serves to motivate and retain employees. The Scheme, which forms an integral and important component of a compensation plan, is designed to primarily reward and retain confirmed employees of the Group including the Executive Directors. The Scheme is administered by the Remuneration Committee.

No share options have been granted under the Scheme since its commencement.

Audit Committee

The Audit Committee ("AC") comprises the following members:

Lau Kay Heng (Chairman)
Fan Cheuk Siu
Ho Soo Jeow

The AC performs the following functions as set out in the SGX Listing Manual and the Code of Corporate Governance:

a) recommends the appointment or discharge of external auditors (subject to shareholders' approval) and in this connection, considers the independence and objectivity of the external auditors, reviews and recommends to the Board of Directors the compensation of the external auditors, reviews the scope and results of the audit and its cost effectiveness;

b) considers, in consultation with the external auditors, the audit scope and plan of the external auditors on the coverage and effective use of audit resources;

c) reviews with the external auditors, their audit reports;

d) reviews the assistance given by the Company's officers to the external auditors;

e) reviews the quarterly announcements and annual financial statements;

f) reviews and assesses management processes, including but not limited to strategic planning, operations, performance measurement and reporting, to resist over-ambitious and unethical behaviour;

g) inquires management and external auditors about significant risks or exposures, and assesses steps taken by management to minimise or control the Company's exposure to such risks;

h) considers and reviews with external auditors at least annually the adequacy, effectiveness and efficiency of management process, internal financial systems and operating controls, including computerised information system control and security, compliance controls and risk management, and all other material controls, and any related significant findings and recommendations of the auditors, together with management's responses thereto;

i) maintains free and open communication between the directors, external auditors and management;

j) meets with the external auditors, management and any others considered appropriate in separate executive sessions to discuss any matters that the AC believes should be discussed privately and establishes a practice to meet with the external auditors without the presence of management at least annually; and

k) reviews all non-audit services provided by the external auditors, if any.

The AC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The AC also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

ZHOU ZHUO LIN

ZHOU MIN ZONG

Dated: 13 April 2015

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2014

In our opinion:

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with International Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

ZHOU ZHUO LIN

ZHOU MIN ZONG

Dated: 13 April 2015

Report on the Financial Statements

We have audited the accompanying financial statements of Cacola Furniture International Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Bases for Qualified Opinion

(i) Opening balances

We expressed a qualified opinion in our independent auditor's report dated 10 April 2014 in respect of the financial statements for the financial year ended 31 December 2013 on the following matters:

- Stated on the face of the consolidated statement of financial position as at 31 December 2013 are inventories of RMB 16,656,000. We have not been able to obtain sufficient appropriate audit evidence in terms of monthly production cost schedules or other supporting documentation to ascertain the appropriateness of the costs capitalised for work in progress and finished goods in accordance with IAS 2 *Inventories*. Arising from the aforesaid, we have also been unable to ascertain the net realisable value of inventories as at 31 December 2013. In the absence of sufficient documentary evidence and alternative procedures, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's inventories as at 31 December 2013.

- Stated on the face of the consolidated statement of financial position as at 31 December 2013 are prepayments of RMB 31,597,000 which were made to a contractor for the construction of a new megastore, as disclosed in Notes 2(b) and 8 to the financial statements. Based on the agreement dated 10 September 2012 entered with the contractor, the construction of the new megastore was scheduled to be completed within six months from the date of the contract. We were given to understand that management was subsequently advised by a government authority in the PRC not to proceed with the construction of the new megastore as the surrounding infrastructure has been damaged by the on-going railway construction, and that the authority will not be liable for any further damage if management decides to proceed with the construction.

  To date, management has put the construction of the new megastore on hold, pending advice from the relevant authorities in the PRC. We have not been able to obtain sufficient appropriate audit evidence in terms of supporting documentation on the financial condition of the contractor, to satisfy ourselves that the contractor is able to repay these amounts to the Group in full should the construction of the new megastore be aborted and the contract terminated. Consequently, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's prepayments as at 31 December 2013.

In view of the significance of these matters, we are unable to determine whether the opening balances as at 1 January 2014 are fairly stated. Since the opening balances as at 1 January 2014 enter into the determination of the Group's results and cash flows for the financial year ended 31 December 2014, we are unable to determine whether any adjustments might have been found necessary in respect of the financial statements for the financial year ended 31 December 2014.

Our opinion on the financial statements for the financial year ended 31 December 2014 is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

Bases for Qualified Opinion (cont'd)

(ii) Inventories

Stated on the face of the consolidated statement of financial position as at 31 December 2014 are inventories of RMB 19,338,000. We have not been able to obtain sufficient appropriate audit evidence in terms of monthly production cost schedules or other supporting documentation to ascertain the appropriateness of the costs capitalised for work in progress and finished goods in accordance with IAS 2. Arising from the aforesaid, we have also been unable to ascertain the net realisable value of inventories as at 31 December 2014. In the absence of sufficient documentary evidence and alternative procedures, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's inventories as at 31 December 2014.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Bases for Qualified Opinion paragraphs above, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Group and of the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matters

(i) Going concern

We draw attention to Note 2(a)(i) to the financial statements. As at 31 December 2014, the Company had net current liabilities of RMB 36,569,000 (2013: RMB 32,177,000) and incurred net loss of RMB 13,839,000 (2013: RMB 13,790,000) for the financial year then ended, while the Group incurred net loss and net operating cash outflows of RMB 76,848,000 (2013: RMB 62,114,000) and RMB 31,907,000 (2013: RMB 32,823,000) respectively for the financial year then ended. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concern. The preparation of the financial statements on a going concern basis is dependent on the ability of the Group and the Company to generate sufficient cash flows from operations and to raise new funds from equity or loans, to pay debts as and when they fall due.

As disclosed in Note 2(a)(iii) to the financial statements, the facility in respect of S$40 million and placement for an aggregate amount of up to S$45 million were approved by the Company's shareholders. At the date of this report, the Company is pending the receipt of funds from the facility and placement.

If the Group and the Company were unable to continue in operational existence, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to the financial statements.

Emphasis of Matters (cont'd)

(ii) Impairment of prepayments

We draw attention to Notes 2(b) and 8 to the financial statements. For the financial year ended 31 December 2014, the Group made impairment for prepayments amounting to RMB 31,597,000. These prepayments were made by the Group in 2012 for the construction of a new megastore, which has been deferred to date, resulting in the uncertainty of whether the outstanding prepayments can be recovered from the contractor if the construction of the new megastore does not materialise eventually.

The aforementioned significant judgement made by management had contributed 41% of the net loss incurred by the Group for the financial year ended 31 December 2014.

Our opinion is not further qualified in respect of the matters described in the Emphasis of Matters paragraphs above.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 13 April 2015

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	The Group **2014** **RMB'000**	The Group 2013 RMB'000	The Company **2014** **RMB'000**	The Company 2013 RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	**75**	13,474	**-**	-
Subsidiaries	5	**-**	-	**-**	-
		75	13,474	**-**	-
Current Assets					
Inventories	6	**19,338**	16,656	**-**	-
Trade and other receivables	7	**5,269**	5,697	**-**	-
Prepayments	8	**3,063**	31,597	**3,063**	-
Cash and bank balances	9	**2,157**	22,327	**299**	9
		29,827	76,277	**3,362**	9
Total assets		**29,902**	89,751	**3,362**	9
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	10	**46,566**	40,690	**46,566**	40,690
Reserves	11	**(45,248)**	28,262	**(83,135)**	(72,867)
Total equity attributable to owners of the Company		**1,318**	68,952	**(36,569)**	(32,177)
LIABILITIES					
Current Liabilities					
Trade and other payables	12	**24,724**	20,799	**36,071**	32,186
Other financial liabilities	13	**3,860**	-	**3,860**	-
Total liabilities		**28,584**	20,799	**39,931**	32,186
Total equity and liabilities		**29,902**	89,751	**3,362**	9

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Revenue	3	**24,718**	36,227
Cost of sales		**(22,297)**	(35,099)
Gross profit		**2,421**	1,128
Other income	14	**509**	1,083
Selling and distribution expenses		**(7,638)**	(20,168)
Administrative expenses		**(25,820)**	(33,407)
Other expenses	15	**(45,830)**	(10,354)
Finance costs	16	**(490)**	(396)
Loss before taxation	17	**(76,848)**	(62,114)
Taxation	18	**-**	-
Loss for the year attributable to owners of the Company		**(76,848)**	(62,114)
Other comprehensive income after tax:			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences on consolidation		**(480)**	1,137
Currency translation differences reclassified to profit or loss on deregistration of a subsidiary		**-**	1,391
Other comprehensive income for the year, net of tax of nil		**(480)**	2,528
Total comprehensive income for the year attributable to owners of the Company		**(77,328)**	(59,586)
Loss per share attributable to owners of the Company (RMB cents)			
- basic and diluted	19	**(16.58)**	(16.35)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	<------ Attributable to owners of the Company						------>
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2013	34,999	132,767	23,570	19,802	(54)	(93,866)	117,218
Loss for the year	-	-	-	-	-	(62,114)	(62,114)
Other comprehensive income for the year							
- Currency translation differences	-	-	-	-	2,528	-	2,528
Total comprehensive income for the year	-	-	-	-	2,528	(62,114)	(59,586)
Contributions by and distributions to owners							
- Issue of shares (Note 10)	5,691	5,629	-	-	-	-	11,320
Transactions with owners in their capacity as owners	5,691	5,629	-	-	-	-	11,320
Balance at 31 December 2013	40,690	138,396	23,570	19,802	2,474	(155,980)	68,952
Balance at 1 January 2014	40,690	138,396	23,570	19,802	2,474	(155,980)	68,952
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(76,848)**	**(76,848)**
Other comprehensive income for the year							
- Currency translation differences	**-**	**-**	**-**	**-**	**(480)**	**-**	**(480)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(480)**	**(76,848)**	**(77,328)**
Contributions by and distributions to owners							
- Issue of shares (Note 10)	**5,876**	**3,818**	**-**	**-**	**-**	**-**	**9,694**
Transactions with owners in their capacity as owners	**5,876**	**3,818**	**-**	**-**	**-**	**-**	**9,694**
At 31 December 2014	**46,566**	**142,214**	**23,570**	**19,802**	**1,994**	**(232,828)**	**1,318**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash Flows from Operating Activities			
Loss before taxation		**(76,848)**	(62,114)
Adjustments for:			
Deposits written off		**-**	321
Depreciation of property, plant and equipment	4	**1,203**	1,028
Impairment losses on prepayments	8	**31,597**	-
Impairment losses on property, plant and equipment	4	**13,548**	-
Impairment losses on trade receivables	7	**685**	445
Interest expense	16	**490**	396
Interest income	14	**(25)**	(1,083)
Inventories written off	6	**-**	9,433
Property, plant and equipment written off	4	**-**	155
Reversal of impairment losses on trade receivables	7	**(445)**	-
Operating loss before working capital changes		**(29,795)**	(51,419)
Changes in inventories		**(2,682)**	7,138
Changes in trade and other receivables		**188**	1,902
Changes in prepayments		**(3,063)**	87
Changes in trade and other payables		**3,445**	9,469
Cash used in operations		**(31,907)**	(32,823)
Income taxes paid		**-**	-
Net cash used in operating activities		**(31,907)**	(32,823)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	4	**(1,352)**	(1,400)
Interest received		**25**	1,083
Net cash used in investing activities		**(1,327)**	(317)
Cash Flows from Financing Activities			
Interest paid		**(490)**	(396)
Proceeds from loans		**13,554**	5,417
Proceeds from issue of shares	10	**-**	3,097
Repayment of loan		**-**	(246)
Net cash generated from financing activities		**13,064**	7,872
Net decrease in cash and bank balances		**(20,170)**	(25,268)
Cash and bank balances at beginning of year		**22,327**	47,595
Cash and bank balances at end of year	9	**2,157**	22,327

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

1 General information

The financial statements of Cacola Furniture International Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 5 January 2007. The Company's shares have been listed on the Singapore Exchange Securities Trading Limited since 7 November 2007.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal place of business of the Group is located at Changlang Avenue, Changping Town, Dongguan City, Guangdong Province, People's Republic of China ("PRC") 523577.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

2(a) Going concern

As at 31 December 2014, the Company had net current liabilities of RMB 36,569,000 (2013: RMB 32,177,000) and incurred net loss of RMB 13,839,000 (2013: RMB 13,790,000) for the financial year then ended, while the Group incurred net loss and net operating cash outflows of RMB 76,848,000 (2013: RMB 62,114,000) and RMB 31,907,000 (2013: RMB 32,823,000) respectively for the financial year then ended. These conditions cast doubt on the Group's and the Company's ability to continue as going concerns. Notwithstanding this, the directors are of the view that the going concern assumption is appropriate for the presentation of these financial statements due to the following:

(i) Having regard to the deficiency in working capital of the Company of RMB 36,569,000 (2013: RMB 32,177,000) as at 31 December 2014, which was mainly contributed by amounts due to wholly-owned subsidiaries amounting to RMB 20,523,000 (2013: RMB 20,392,000) (Note 12), for which the directors of the Company have the power and authority to manage the payment obligations to the said wholly-owned subsidiaries if the need ever arises, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

(ii) On 1 June 2014, the Company entered into a loan agreement with a lender, pursuant to which the lender granted a loan of S$2,200,000 to the Company. The loan is unsecured, bears interest at a fixed interest rate of 5% per annum, and is repayable by the Company within three months from the date of the loan agreement. On 19 August 2014, the aggregate amount of S$2,300,000 (including accrued interest) which was agreed with the lender was settled through the issue of 74,117,000 new ordinary shares in the capital of the Company at S$0.027 per share, with the remaining S$299,000 (RMB 1,469,000) to be repaid by the Company in cash (Note 10).

2(a) Going concern (cont'd)

(iii) On 2 October 2014, the Company entered into a loan agreement with Advance Opportunities Fund, pursuant to which the lender granted a loan of S$500,000 (RMB 2,391,000) to the Company. The loan bears interest at a fixed interest rate of 10% per annum, and is repayable by the Company within six months from the date of the loan agreement. The loan is for the purposes of meeting the interim financing needs of the Company, including general working capital and payment of various miscellaneous expenses and professional fees. On 2 October 2014, the Company also entered into a conditional unsecured facility in respect of S$40 million, and a conditional multi-tranche placement agreement to allot and issue ordinary shares in the capital of the Company for an aggregate amount of up to S$45 million, with the lender. The respective agreements were extended to 9 March 2015 and subsequently to 14 April 2015. At the Extraordinary General Meeting of the Company held on 13 April 2015, the proposed transactions in respect of the loan, facility and placement were approved by the Company's shareholders.

In the opinion of the directors, these factors will enable the Group and the Company to meet their liabilities as and when they fall due, as the directors expect to be able to obtain funding from further issuance of equity or new loans, where necessary.

The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that would be required if the going concern basis is found to be inappropriate.

2(b) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including related Interpretations promulgated by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The functional currency of the Company is Hong Kong dollar. The consolidated financial statements of the Group are presented in Renminbi, which is the currency of the primary economic environment in which the principal subsidiary of the Group operates. All financial information is presented in Renminbi and rounded to the nearest thousand, unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2(b) Basis of preparation (cont'd)

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

Critical judgements in applying accounting policies

Determination of functional currency
The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. The functional currency of the Company is determined based on management's assessment of the primary economic environment in which the Company operates, i.e. the one in which it primarily generates and expends cash. In determining the Company's functional currency, judgement is required to determine the currency that most faithfully represents the economic effects of the Company's underlying transactions, events and conditions. Management has applied its judgement to determine the currency that mainly influences the Company's operating, investing and financing activities as an investment holding company, which is assessed to be Hong Kong dollar.

Recoverability of prepayments made to a contractor
In 2012, management made prepayments amounting to RMB 31,597,000 to 东莞市新聚雅装饰广告有限公司 (the "Contractor") for the construction of a new megastore (Note 8).

Based on the agreement dated 10 September 2012 entered with the Contractor, the construction of the new megastore was scheduled to be completed within six months from the date of the contract. Management was subsequently advised by a government authority in the PRC not to proceed with the construction of the new megastore as the surrounding infrastructure has been damaged by the ongoing railway construction and that the authority will not be liable for any further damage if management decides to proceed with the construction.

Consequently, management had put the construction of the new megastore on hold. Management was subsequently informed by the Contractor that the latter had also changed its name from 东莞市新聚雅装饰广告有限公司 to 东莞市聚兴装饰广告有限公司 ("New Contractor"). Following the change in name, management obtained an official confirmation in 2012 that the New Contractor will continue to honour those contracts previously signed with the Group and the amounts prepaid for the new megastore will be refunded to the Group in the event that the construction of the new megastore does not go through.

The construction of the new megastore has been deferred to date, more than two years since the signing of the construction agreement. Notwithstanding that management is still committed to its original plan to construct the new megastore, there is uncertainty of whether the outstanding prepayments can be recovered from the New Contractor if the construction of the new megastore does not materialise eventually. Accordingly, the outstanding prepayments have been fully impaired for the financial year ended 31 December 2014.

The impairment losses on prepayments of RMB 31,597,000 arising from the aforementioned significant judgement made by management had contributed 41% of the net loss incurred by the Group for the financial year ended 31 December 2014.

2(b) Basis of preparation (cont'd)

Critical judgements in applying accounting policies (cont'd)

Impairment of trade and other receivables
The Group's policy for making allowances for impairment of doubtful receivables is based on the ongoing evaluation of the aging analysis of the receivables and their collectability based on management's judgement. Considerable judgement is required in assessing the estimated realisation of these receivables, including the current credit worthiness and past collection history of each debtor and the present values of the estimated future cash flows discounted at effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment losses on trade and other receivables may be required.

The allowance for impairment of doubtful trade receivables at the end of the reporting period of RMB 44,512,000 (2013: RMB 44,272,000) (Note 7) mainly pertained to impaired trade receivables amounting to RMB 43,827,000 (2013: RMB 43,827,000) arising from four distributors located in Guangdong province and a distributor located in Jiangxi province in the PRC, which had directly operated specialty stores under the shop name of "Cacola". The impairment of trade receivables due from these customers was made mainly based on the following:

(i) Failure to contact the owners or personnel in charge of these closed specialty stores by management; and

(ii) Evidence of default or delinquency in principal payments from these customers and requests to delay the settlement of overdue receivables.

Impairment of investments in subsidiaries and amounts due from subsidiaries
The Company assesses at the end of each reporting period whether there is any indication that the investments in subsidiaries and amounts due from subsidiaries may be impaired. If any indication exists, the investment in subsidiary or amount due from subsidiary is tested for impairment. The determination of the recoverable amount requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amount of the Company's investments in subsidiaries and amounts due from subsidiaries at the end of the reporting period is disclosed in Note 5 and Note 7 to the financial statements, respectively.

Income tax
The Group has exposure to income taxes in the PRC. Significant judgement and estimates are involved in determining provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

The PRC subsidiaries make tax submission to the local tax authorities in accordance with the interpretations and local practices. Management has assessed and concluded that all tax submissions are appropriate and there are no further tax and related liabilities.

2(b) Basis of preparation (cont'd)

Critical assumptions used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment
The costs of property, plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the assets. The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. Management estimates the useful lives of property, plant and equipment to be within 5 to 15 years. In particular, management estimates the useful lives of buildings and plant and machinery to be 15 years and 10 years respectively. These are common life expectancies applied in the manufacturing industry in the PRC. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, maintenance programmes and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's results for the year will decrease/increase by RMB 120,000 (2013: RMB 103,000).

Impairment of property, plant and equipment
Property, plant and equipment are assessed at the end of each reporting period whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss.

Management judgement and estimates are required in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the growth rate and discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result may potentially affect the Group's results. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements. If the present value of estimated future cash flows decreases by 10% from management's estimates, the Group's accumulated impairment losses of property, plant and equipment will increase by RMB nil (2013: RMB 1,335,000).

Allowance for inventory obsolescence
The Group reviews the ageing analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 6 to the financial statements. If the net realisable values of the inventories decrease/increase from management's estimates, the Group's results for the year will decrease/increase by RMB 1,934,000 (2013: RMB 1,666,000).

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2(c) Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended IFRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS.

Reference	Description
Amendments to IAS 27, IFRS 10 and IFRS 12	Investment Entities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies
Annual Improvements 2010-2012 Cycle	
Annual Improvements 2011-2013 Cycle	

The adoption of these new and amended IFRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for the following:

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*
These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the period. As this is a disclosure standard, it has no impact to the financial position and financial performance of the Group when applied.

2(d) IFRS not yet effective

The following are the new or amended IFRS and IFRIC issued in 2014 that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IAS 19	Defined Benefit Plan: Employee Contribution	1 July 2014
Amendments to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017

2(d) IFRS not yet effective (cont'd)

Reference	Description	Effective date (Annual periods beginning on or after)
Annual Improvements 2010-2012 Cycle		
- Amendment to IAS 16	Property, Plant and Equipment	1 July 2014
- Amendment to IAS 24	Related Party Disclosures	1 July 2014
- Amendment to IAS 38	Intangible Assets	1 July 2014
- Amendment to IFRS 2	Share-based Payment	1 July 2014
- Amendment to IFRS 3	Business Combinations	1 July 2014
- Amendment to IFRS 8	Operating Segments	1 July 2014
Annual Improvements 2011-2013 Cycle		
- Amendment to IAS 40	Investment Property	1 July 2014
- Amendment to IFRS 3	Business Combinations	1 July 2014
- Amendment to IFRS 13	Fair Value Measurement	1 July 2014
Annual Improvements 2012-2014 Cycle		
- Amendment to IAS 19	Employee Benefits	1 January 2016
- Amendment to IAS 34	Interim Financial Reporting	1 January 2016
- Amendment to IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
- Amendments to IFRS 7	Financial Instruments: Disclosures	1 January 2016

Management does not anticipate that the adoption of the above IFRS in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

<u>Annual Improvements 2010-2012 Cycle: Amendment to IAS 24 *Related Party Disclosures*</u>
Annual Improvements 2010-2012 Cycle: Amendment to IAS 24 *Related Party Disclosures* clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group and the Company when implemented.

2(e) Summary of significant accounting policies

Consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

2(e) Summary of significant accounting policies (cont'd)

Consolidation (cont'd)
A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the Group has all of the following:

(i) power over the investee;
(ii) exposure, or rights or variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with IFRS. Profits reflected in the financial statements prepared in accordance with IFRS may differ from those reflected in the statutory financial statements of the subsidiaries prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the subsidiaries are based on the amounts stated in the statutory financial statements.

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated using a straight-line basis to allocate their depreciable amount over their estimated useful lives as follows:

Buildings	15 years
Leasehold improvements and renovations	10 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in profit or loss during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is recognised in profit or loss from the month that the property, plant and equipment are installed and are available for use, and to the month of disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Gains and losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

2(e) Summary of significant accounting policies (cont'd)

Subsidiaries
In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Financial assets
Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the end of the reporting period with the exception that a financial asset shall not be reclassified into or out of the fair value through profit or loss category while it is held or issued.

All financial assets are recognised on their trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

<u>Loans and receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables and cash and bank balances. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

2(e) Summary of significant accounting policies (cont'd)

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Cash and bank balances
Cash and bank balances comprise cash on hand and cash at banks.

Share capital and share premium
Ordinary shares are classified as equity. Share capital is determined using the nominal value of new ordinary shares that have been issued. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share premium.

Financial liabilities
The Group's financial liabilities comprise trade and other payables and other financial liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in "finance cost" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial liabilities and financial assets are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Trade and other payables and other financial liabilities are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest method.

Leases
Where the Group is the lessee,

<u>Operating leases</u>
Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

2(e) Summary of significant accounting policies (cont'd)

Leases (cont'd)
Where the Group is the lessor,

Operating leases
Assets leased out under operating leases (for which a significant portion is held for use in the production or supply of goods or services or for administrative purposes) are included in property, plant and equipment in the statement of financial position and are depreciated on a straight-line basis over their estimated useful lives. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Income taxes
Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

2(e) Summary of significant accounting policies (cont'd)

Employee benefits

Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations.

The subsidiaries in Hong Kong are required to participate in a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiaries in Hong Kong in an independently administered fund. The employer contributions of the subsidiaries in Hong Kong vest fully with the employees when contributed into the MPF Scheme in accordance with the rules of the MPF Scheme.

Pursuant to the relevant regulations of the PRC government, the employees of the subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "Central Pension Scheme"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Central Pension Scheme. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Central Pension Scheme is to pay the ongoing required contributions under the Central Pension Scheme. Contributions under the Central Pension Scheme are charged to the profit or loss as incurred. The assets of the Central Pension Scheme are held separately from those of the PRC subsidiaries in independently administered funds.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions made. The Group is subject only to defined contribution plans.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Employee share option scheme

The Company has an employee share option plan for the granting of non-transferable options.

The fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When new ordinary shares are issued upon exercise of the options, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital (nominal value) and share premium. The share option reserve is transferred to retained earnings upon expiry of the options.

2(e) Summary of significant accounting policies (cont'd)

Related parties
A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and the Company if that person:
(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

b) An entity is related to the Group and the Company if any of the following conditions applies:
(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) both entities are joint ventures of the same third party.
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
(vi) the entity is controlled or jointly controlled by a person identified in (a);
(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

<u>Key management personnel</u>
Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2(e) Summary of significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)
Any impairment loss is charged to profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in profit or loss.

Revenue recognition
Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, value-added taxes, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For local sale of goods, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading the goods onto the relevant carrier at the port.

Rental income is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessee, if any, are recognised as a reduction of rental income over the lease term on a straight-line basis.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Value-added tax
The Group's sale of goods in the PRC is subject to value-added tax ("VAT") at the applicable tax rate of 17%. Input VAT on local purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is submitted on a monthly basis and is included as part of "trade and other receivables" or "trade and other payables" in the statement of financial position.

Revenue, expenses and assets are recognised net of the amount of VAT except:

(i) where VAT incurred on purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of VAT included.

2(e) Summary of significant accounting policies (cont'd)

Functional currencies
Functional and presentation currency
Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Renminbi, which is the currency of the primary economic environment in which the principal subsidiary of the Group operates. The functional currency of the Company is Hong Kong dollar.

Conversion of foreign currencies
Transactions and balances
Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Group entities
The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve in equity.

Operating segments
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Additional disclosures on operating segments are shown in Note 20 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

2(e) Summary of significant accounting policies (cont'd)

Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, if any.

3 Revenue

Significant categories of revenue, excluding applicable value-added tax, are detailed as follows:

The Group	**2014 RMB'000**	2013 RMB'000
Sale of panel furniture	**15,847**	23,015
Sale of sofa	**7,622**	11,418
Sale of mattress	**1,249**	1,794
	24,718	36,227

4 Property, plant and equipment

The Group	Buildings RMB'000	Leasehold improvements and renovations RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 2013	48,123	29,264	702	102	540	78,731
Additions	-	445	955	-	-	1,400
Write-offs	-	(270)	-	(89)	(211)	(570)
Exchange difference on translation	-	(1)	-	(1)	-	(2)
At 31 December 2013	48,123	29,438	1,657	12	329	79,559
Additions	**-**	**1,352**	**-**	**-**	**-**	**1,352**
At 31 December 2014	**48,123**	**30,790**	**1,657**	**12**	**329**	**80,911**
Accumulated depreciation and impairment losses						
At 1 January 2013	37,176	27,786	192	56	263	65,473
Depreciation	667	139	133	21	68	1,028
Write-offs	-	(216)	-	(71)	(128)	(415)
Exchange difference on translation	-	(1)	-	-	-	(1)
At 31 December 2013	37,843	27,708	325	6	203	66,085
Depreciation	**667**	**167**	**316**	**2**	**51**	**1,203**
Impairment loss	**9,613**	**2,915**	**1,016**	**4**	**-**	**13,548**
At 31 December 2014	**48,123**	**30,790**	**1,657**	**12**	**254**	**80,836**
Net book value						
At 31 December 2014	**-**	**-**	**-**	**-**	**75**	**75**
At 31 December 2013	10,280	1,730	1,332	6	126	13,474

4 Property, plant and equipment (cont'd)

At the end of the reporting period, management evaluated that the Group's financial performance is worse than expected, in light of the persistently declining trend in its revenue recognised since the previous financial years. Accordingly, management performed impairment testing of the Group's sole cash-generating unit, which is the design, manufacturing and sale of panel furniture. The recoverable amount of the cash-generating unit was determined from value in use calculation based on cash flow projections from formally approved budgets covering a five-year period, using an anticipated declining revenue growth rate of 3%, a pre-tax discount rate of 20%, and a negative terminal growth rate of 3%. Based on the recoverable amount of RMB nil, the Group's property, plant and equipment (excluding motor vehicles) were fully impaired. The impairment loss of RMB 13,548,000 was recognised in the consolidated statement of profit or loss and other comprehensive income under "other expenses" for the financial year ended 31 December 2014 (Note 15).

5 Subsidiaries

The Company	**2014 RMB'000**	2013 RMB'000
Unquoted equity investments, at cost	**14**	14
Amounts due from subsidiaries (non-trade)		
(reclassified from other receivables) (Note 7)	**95,162**	-
	95,176	14
Less: Allowance for impairment losses	**(95,176)**	(14)
	-	-
Allowance for impairment losses:		
At 1 January	**14**	158,644
Allowance utilised	**-**	(158,630)
Reclassified from other receivables (Note 7)	**95,162**	-
At 31 December	**95,176**	14

The non-trade amounts due from subsidiaries have been classified as part of the Company's net investments in subsidiaries in the current financial year pursuant to a directors' resolution that the settlement of the amounts is neither planned nor likely to occur in the foreseeable future. The amounts are unsecured, interest-free and are stated at cost less accumulated impairment losses.

Details of the subsidiaries are:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2014 %	2013 %
Held by the Company				
Graceful Victory Limited (1)	Inactive	British Virgin Islands	**100**	100
Win Champ Limited (1)	Investment holding	Anguila	**100**	100
Held by Win Champ Limited				
Cacola Holdings Limited (1)	Dormant	Hong Kong	**100**	100
Double Choice Holdings Limited (1)	Dormant	Hong Kong	**100**	100

5 Subsidiaries (cont'd)

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held	
			2014 **%**	2013 %
Held by Cacola Holdings Limited				
Dongguan Cacola Furniture Co., Ltd 东莞家居乐有限公司 (2)	Design, manufacturing and sale of panel furniture, sofa and mattress	People's Republic of China	**100**	100
Laiyang Cacola Investment Co., Ltd 莱阳家居乐投资有限公司	Inactive	People's Republic of China	**100**	100

(1) Not required to be audited
(2) Audited by Dongguan Dezheng CPA Co., Ltd 东莞市德正会计师事务所有限公司

Significant subsidiaries in the Group are audited by Foo Kon Tan LLP for the purpose of consolidation. In particular, the Group's principal subsidiary in the PRC, Dongguan Cacola Furniture Co., Ltd, which is audited by a firm of Certified Public Accountants in the PRC for the purpose of PRC statutory reporting, is re-audited by Foo Kon Tan LLP for the purpose of the Group's consolidated financial statements.

The Company's wholly-owned subsidiary, Sincere Treasure Limited, was deregistered with effect from 1 May 2013, as part of the Group's rationalisation exercise for overall cost-savings. Accordingly, the allowance for impairment loss was utilised against the cost of investment of RMB 158,630,000.

Laiyang Cacola Investment Co., Ltd has not been able to renew its business license since 9 October 2011. The directors are still in the process of negotiating with the relevant PRC authority for the renewal of business license.

6 Inventories

The Group	**2014 RMB'000**	2013 RMB'000
Raw materials (at cost)	**1,373**	5,324
Work in progress (at cost)	**689**	1,231
Finished goods (at cost)	**17,276**	10,101
	19,338	16,656

The amount of inventories recognised as an expense was RMB 19,373,000 (2013: RMB 25,709,000). Inventories which were damaged, have become wholly obsolete or could not be located and were written off accordingly amounted to RMB nil (2013: RMB 9,433,000) for the financial year ended 31 December 2014 (Note 15).

7 Trade and other receivables

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables from third parties	**49,485**	49,800	**-**	-
Less: Allowance for impairment losses	**(44,512)**	(44,272)	**-**	-
Net trade receivables	**4,973**	5,528	**-**	-
Amounts due from subsidiaries (non-trade)	**-**	-	**-**	95,162
Less: Allowance for impairment losses	**-**	-	**-**	(95,162)
	-	-	**-**	-
Net input VAT	**246**	164	**-**	-
Deposits	**50**	5	**-**	-
Net other receivables	**296**	169	**-**	-
Trade and other receivables	**5,269**	5,697	**-**	-

The movement in allowance for impairment losses in respect of trade receivables is as follows:

The Group	**2014 RMB'000**	2013 RMB'000
At 1 January	**44,272**	43,827
Allowance made (Note 15)	**685**	445
Allowance reversed (Note 14)	**(445)**	-
At 31 December	**44,512**	44,272

Trade receivables that have been determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties or have defaulted on payments. These trade receivables are not secured by any collateral or credit enhancements.

The non-trade amounts due from subsidiaries, which represent advances extended to and payments on behalf of the subsidiaries, are unsecured and interest-free.

The movement in allowance for impairment losses in respect of the non-trade amounts due from subsidiaries is as follows:

The Company	**2014 RMB'000**	2013 RMB'000
At 1 January	**95,162**	142,714
Allowance made	**-**	12
Allowance utilised	**-**	(47,564)
Reclassified to net investments in subsidiaries (Note 5)	**(95,162)**	-
At 31 December	**-**	95,162

The non-trade amounts due from subsidiaries represent advances extended by the Company to its subsidiaries which were used to finance the costs of investments in Dongguan Cacola Furniture Co., Ltd ("Dongguan Cacola") and Laiyang Cacola Investment Co., Ltd ("Laiyang Cacola"). In view that Laiyang Cacola remains inactive and is unable to carry on its operating activities as it has not been able to fulfil the criteria for the annual renewal of its business license with the relevant PRC authority since 9 October 2011, and considering the significant losses and operating cash outflows incurred by Dongguan Cacola for four consecutive financial years, which substantially impaired the ability of the subsidiaries to make payments, management is of the view that the non-trade amounts due from subsidiaries were fully impaired at the end of the reporting period. The amounts have been reclassified to the Company's net investments in subsidiaries in the current financial year (Note 5).

7 Trade and other receivables (cont'd)

As a result of the deregistration of Sincere Treasure Limited as disclosed in Note 5 to the financial statements, the non-trade amount due from the subsidiary was written off against the corresponding allowance for impairment loss of RMB 47,564,000 in the previous financial year.

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**-**	5	**-**	-
Renminbi	**5,269**	5,692	**-**	-
	5,269	5,697	**-**	-

The Group generally extends credit of up to 60 days (2013: 60 days) to customers, depending on the length of business relationship, payment history, background and financial strength of the customers. The Group actively reviews the trade receivable balances and follow up on outstanding debts with the customers.

Trade receivables primarily arise from sales to customers in the PRC.

The ageing analysis of trade receivables is as follows:

The Group	Gross RMB'000	Impairment losses RMB'000	Net RMB'000
2014			
Not past due	**4,973**	**-**	**4,973**
Past due over 60 days	**44,512**	**(44,512)**	**-**
	49,485	**(44,512)**	**4,973**
2013			
Not past due	5,656	(301)	5,355
Past due 1 to 30 days	173	-	173
Past due over 60 days	43,971	(43,971)	-
	49,800	(44,272)	5,528

Based on historical default rates, the Group believes that no further impairment allowance is necessary in respect of trade receivables as they mainly arise from customers that have a good credit record with the Group.

8 Prepayments

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments made for construction of property, plant and equipment	**31,597**	31,597	**-**	-
Less: Allowance for impairment losses	**(31,597)**	-	**-**	-
	-	31,597	**-**	-
Other prepayments	**3,063**	-	**3,063**	-
	3,063	31,597	**3,063**	-

8 Prepayments (cont'd)

Prepayments are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Singapore dollar	**2,395**	-	**2,395**	-
Renminbi	**668**	31,597	**668**	-
	3,063	31,597	**3,063**	-

Prepayments made for construction of property, plant and equipment relate to payments made to 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) in advance in 2012 for the construction of the new megastore located at Sukeng Road, Changlang Avenue, Changping County, Dongguan City, Guangdong Province, PRC.

The construction of the new megastore has been deferred to date, more than two years since the signing of the construction agreement. Due to the uncertainty of whether the outstanding prepayments can be recovered from the New Contractor if the construction of the new megastore does not materialise eventually, the outstanding prepayments were fully impaired for the financial year ended 31 December 2014. The impairment loss of RMB 31,597,000 was recognised in the consolidated statement of profit or loss and other comprehensive income under "other expenses" for the financial year ended 31 December 2014 (Note 15).

Other prepayments mainly relate to progressive payments made to professional parties in advance in relation to the proposed acquisition of Sharp Year Ventures Limited.

9 Cash and bank balances

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at banks	**2,010**	22,279	**299**	9
Cash on hand	**147**	48	**-**	-
	2,157	22,327	**299**	9

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**256**	29	**235**	9
Renminbi	**1,837**	22,298	**-**	-
Singapore dollar	**64**	-	**64**	-
	2,157	22,327	**299**	9

Bank balances bear interest at a weighted average effective interest rate of 0.20% (2013: 0.35%) per annum.

10 Share capital

The Group and the Company	**2014** Number of ordinary shares **('000)**	2013 Number of ordinary shares ('000)	**2014 RMB'000**	2013 RMB'000
Issued and fully paid				
At 1 January	**437,038**	365,000	**40,690**	34,999
Issue of shares	**74,117**	72,038	**5,876**	5,691
At 31 December	**511,155**	437,038	**46,566**	40,690

On 18 October 2013, the Company allotted and issued an aggregate of 72,037,399 new ordinary shares in the capital of the Company, through the following:

(i) conversion of a convertible loan (which was entered into on 2 June 2013), together with accrued interest amounting to S$1,122,000 (RMB 5,525,000), through 35,386,433 shares at S$0.0317 per share;

(ii) placement of 19,585,000 shares at S$0.03213 per share for an aggregate consideration of S$629,000 (RMB 3,097,000); and

(iii) settlement of outstanding debts amounting to S$548,000 (RMB 2,698,000) through 17,065,966 shares at S$0.03213 per share.

The total amount of RMB 11,320,000 for the issue of shares was allocated between share capital and share premium of RMB 5,691,000 and RMB 5,629,000 respectively.

On 19 August 2014, the Company allotted and issued an aggregate of 74,117,000 new ordinary shares in the capital of the Company at S$0.027 per share, to settle an outstanding debt of S$2,300,000, with the remaining S$299,000 (RMB 1,469,000) to be repaid by the Company in cash.

The amount of S$2,001,000 (RMB 9,694,000) for the issue of shares was allocated between share capital and share premium of RMB 5,876,000 and RMB 3,818,000 respectively.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

11 Reserves

	The Group		The Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Share premium	**142,214**	138,396	**142,214**	138,396
Capital reserve	**23,570**	23,570	**150,119**	150,119
Statutory reserve	**19,802**	19,802	**-**	-
Currency translation reserve	**1,994**	2,474	**(35,026)**	(34,779)
Accumulated losses	**(232,828)**	(155,980)	**(340,442)**	(326,603)
	(45,248)	28,262	**(83,135)**	(72,867)

11 Reserves (cont'd)

Share premium
Share premium represents the excess of proceeds from the issue of new ordinary shares over the nominal value of the shares issued, net of share issue expenses.

Capital reserve
The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a reorganisation, and the nominal value of the shares of the Company issued in exchange thereof.

The capital reserve of the Company represents the contributed surplus as a result of a reorganisation and the excess of the nominal value of the Company's shares issued in exchange over the combined net assets of the subsidiaries acquired.

Statutory reserve
In accordance with the relevant laws and regulations of the PRC, each subsidiary in the PRC is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory net profit for each year, as determined in accordance with the applicable PRC accounting standards and regulations, must be allocated to the SRF until the cumulative total of the SRF reaches at least 50% of the registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital. The SRF is not available for dividend distribution to owners. The directors have decided that 10% of the net profit, as reported in the statutory financial statements of the PRC subsidiaries, be appropriated each year to the SRF.

Currency translation reserve
The currency translation reserve of the Group arises from the translation of financial statements of group entities whose functional currencies are different from the presentation currency.

The currency translation reserve of the Company arises from the translation of financial statements of the Company from its functional currency of Hong Kong dollar to the presentation currency of Renminbi.

12 Trade and other payables

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables to third parties	**5,859**	6,678	**-**	-
Amounts due to directors (non-trade)	**3,359**	-	**3,359**	-
Amounts due to subsidiaries (non-trade)	**-**	-	**20,523**	20,392
Accrued expenses	**15,291**	14,077	**12,186**	11,790
Other payables	**215**	44	**3**	4
	24,724	20,799	**36,071**	32,186

The average credit period taken to settle trade payables is approximately 30 days (2013: 30 days).

The non-trade amounts due to subsidiaries, which represent advances from and payments on behalf by the subsidiaries, are unsecured, interest-free and repayable on demand.

The non-trade amounts due to directors, which mainly relate to payments on behalf by the directors, are unsecured, interest-free and repayable on demand.

12 Trade and other payables (cont'd)

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong dollar	**752**	572	**21,216**	21,271
Renminbi	**21,852**	12,303	**12,735**	2,991
Singapore dollar	**2,060**	7,924	**2,060**	7,924
United States dollar	**60**	-	**60**	-
	24,724	20,799	**36,071**	32,186

13 Other financial liabilities

Other financial liabilities relate to a loan of S$500,000 (RMB 2,391,000) obtained by the Company on 2 October 2014, which is unsecured, bears interest at a fixed interest rate of 10% per annum and is repayable by the Company within six months from the date of the loan agreement, and an outstanding loan amount of S$299,000 (RMB 1,469,000), which is unsecured, bears interest at a fixed interest rate of 5% per annum and is repayable on demand.

Other financial liabilities are denominated in Singapore dollar.

14 Other income

The Group	**2014** **RMB'000**	2013 RMB'000
Interest income from cash and bank balances	**25**	1,083
Rental income	**39**	-
Reversal of impairment losses on trade receivables (Note 7)	**445**	-
	509	1,083

15 Other expenses

The Group	**2014** **RMB'000**	2013 RMB'000
Deposits written off	**-**	321
Impairment losses on prepayments (Note 8)	**31,597**	-
Impairment losses on property, plant and equipment (Note 4)	**13,548**	-
Impairment losses on trade receivables (Note 7)	**685**	445
Inventories written off (Note 6)	**-**	9,433
Property, plant and equipment written off	**-**	155
	45,830	10,354

16 Finance costs

The Group	**2014** **RMB'000**	2013 RMB'000
Interest expenses on:		
- convertible loan	**-**	358
- other financial liabilities	**490**	38
	490	396

17 Loss before taxation

The Group	Note	2014 RMB'000	2013 RMB'000
Loss before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	4	**1,203**	1,028
Exchange loss, net		**-**	65
Operating lease expense		**977**	977
Property, plant and equipment written off	4	**-**	155
<u>Staff costs</u>			
Directors' fees		**692**	609
Directors' remuneration other than fees:			
- salaries and other related costs		**5,418**	4,400
- contributions to defined contribution plans		**118**	94
		6,228	5,103
Key management personnel (other than directors):			
- salaries and other related costs		**1,243**	3,062
- contributions to defined contribution plans		**244**	281
		1,487	3,343
Total key management personnel compensation		**7,715**	8,446
Other than directors and other key management personnel:			
- salaries and other related costs		**5,512**	5,154
- contributions to defined contribution plans		**1,294**	1,086
		6,806	6,240
Total staff costs		**14,521**	14,686

18 Taxation

The Group	2014 RMB'000	2013 RMB'000
Current taxation	**-**	-
Deferred taxation	**-**	-
	-	-

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable rate of income tax on losses as a result of the following:

The Group	2014 RMB'000	2013 RMB'000
Loss before taxation	**(76,848)**	(62,114)
Tax at statutory rates applicable to different jurisdictions	**(15,752)**	(12,526)
Tax effect on-deductible expenses	**472**	1,025
Deferred tax assets on current year tax losses not recognised	**15,280**	11,501
	-	-

18 Taxation (cont'd)

Cayman Islands
The Company is not subject to taxes on profit, income or dividends in the Cayman Islands.

British Virgin Islands and Anguila
There is no income tax expense for the subsidiaries in the British Virgin Islands and Anguila as the income of these subsidiaries are tax exempted under the laws of the British Virgin Islands and Anguila.

Hong Kong
The corporate income tax rate applicable to the subsidiaries in Hong Kong is 16.5% (2013: 16.5%) for the financial year ended 31 December 2014. No income tax has been provided as the subsidiaries have no assessable profits for the financial years ended 31 December 2014 and 2013.

People's Republic of China
On 16 March 2007, the National People's Congress of the PRC enacted the Enterprise Income Tax ("EIT") Law which took effect on 1 January 2008. In accordance with the EIT Law, a unified EIT rate of 25% and unified tax deduction standards will be applied equally to both domestic invested enterprises and wholly foreign-owned enterprises. Accordingly, the PRC subsidiaries are subject to the applicable EIT rate of 25% (2013: 25%) for the financial year ended 31 December 2014.

Unused tax losses
At the end of the reporting period, the Group has unutilised tax losses of RMB 185,924,000 (2013: RMB 124,804,000) from its principal PRC subsidiary, Dongguan Cacola Furniture Co., Ltd. The unutilised tax losses are allowed to be carried forward for five years and used to offset against future taxable profits of the PRC subsidiary in which the losses arose, subject to agreement by the relevant tax authority and compliance with the applicable tax regulation in the PRC in which the subsidiary operates. Deferred tax assets have not been recognised in respect of these items due to the uncertainty whether future taxable profits will be available against which the PRC subsidiary can utilise the benefits.

19 Loss per share

The calculation of basic and diluted loss per share was based on the loss attributable to ordinary shareholders of RMB 76,848,000 (2013: RMB 62,114,000) and a weighted average number of ordinary shares outstanding of 463,638,000 (2013: 379,958,000), calculated as follows:

Weighted average number of ordinary shares (basic and diluted)

The Group	**2014 '000**	2013 '000
Issued ordinary shares at beginning of year	**437,038**	365,000
Effect of shares issued	**26,600**	14,958
Weighted average number of ordinary shares at end of year	**463,638**	379,958

There are no dilutive potential ordinary shares during the financial years.

20 Operating segments

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The Group only operates in a single operating segment, which is the design, manufacturing and sale of panel furniture, sofa and mattress. Revenue from external customers for each product category is disclosed in Note 3 to the financial statements.

There was no single external customer which amounted to 10% or more of the Group's revenue for the financial years ended 31 December 2014 and 2013.

The Group's operations and the management team of the Group are primarily domiciled and located in the PRC. For the financial years ended 31 December 2014 and 2013, the Group's customers are mainly located in the PRC, Hong Kong and Macau. The design, manufacturing and sale of panel furniture, sofa and mattress are carried out in the PRC. Reportable segment revenue by geographical region is based on the location of the ultimate customers.

The Group's revenue from external customers is divided into the following geographical regions:

The Group	**2014** **RMB'000**	2013 RMB'000
China	**21,025**	33,990
Hong Kong and Macau	**3,693**	2,237
	24,718	36,227

The assets of the Group are substantially located in the PRC which are used to support its customers in the above geographical locations. Consequently, no separate analysis of reportable segment assets by geographical region is presented.

21 Contingent liability

On 3 April 2008, Laiyang Cacola Investment Co., Ltd entered into a lease agreement with a landlord of a property to act as a show room for the Group's products in Chongqing City, the PRC. Due to the poor conditions of the property, the PRC subsidiary issued a letter to the landlord to terminate the lease agreement on 14 October 2008. The PRC subsidiary did not make use of the property and no rental payments were made to the landlord after the rent-free period.

According to the legal opinion from the independent legal advisor of the Group in the PRC, the landlord did not lodge any claim against the Group for rental payment in excess of a period of two years. The directors of the Company are of the opinion that the potential claim, if any, can be successfully defended and therefore no provision for losses has been provided, and have estimated and assessed its financial effect to be immaterial.

22 Operating lease commitments (non-cancellable)

Where the Group is the lessee,

At the end of the reporting period, the Group was committed to making the following payments in respect of non-cancellable operating leases of factory and office premises:

The Group	**2014 RMB'000**	2013 RMB'000
Not later than one year	**2,580**	2,580
Later than one year and not later than five years	**8,905**	9,912
Later than five years	**9,959**	11,531
	21,444	24,023

The leases on the Group's factory and office premises on which rentals are payable will expire between 31 July 2018 and 30 April 2026, subject to options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords, and the current rentals payable on the leases range from RMB 22,000 to RMB 81,000 per month, which are subject to revision on renewal.

The leases have no contingent rent provision included in the contracts.

Where the Group is the lessor,

At the end of the reporting period, the Group had the following rental income receivable under non-cancellable operating lease for its factory premise in the PRC:

The Group	**2014 RMB'000**	2013 RMB'000
Not later than one year	**52**	-
Later than one year and not later than five years	**163**	-
	215	-

The lease on the Group's factory premise on which rentals are receivable will expire on 28 February 2019, subject to option to renew the lease term at the expiry date or at dates as mutually agreed between the Group and the tenant, and the current rental receivable on the lease is approximately RMB 4,000 per month, which is subject to revision on renewal.

The lease has no contingent rent provision included in the contract.

23 Financial risk management objectives and policies

The Group and the Company have documented financial risk management policies. These policies set out the Group's and the Company's overall business strategies and risk management philosophy. The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's and the Company's financial performance.

23 Financial risk management objectives and policies (cont'd)

The Group's and the Company's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group and the Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 23.3) and foreign currency risk (Note 23.4).

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

23.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through ongoing credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

The Group's trade receivables comprise 17 major debtors (2013: 9 major debtors) that represented 98% (2013: 67%) of trade receivables.

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivable balances, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of the reporting period.

23 Financial risk management objectives and policies (cont'd)

23.1 Credit risk (cont'd)

The Group and the Company establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group and the Company are satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

<u>Exposure to credit risk</u>

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group's major classes of financial assets are bank deposits and trade receivables. Cash is held with established financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 7.

23.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's financial liabilities comprising trade and other payables and other financial liabilities with contractual undiscounted cash flows approximating the carrying amount mature in less than one year. Nevertheless, the Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group and the Company maintain sufficient level of cash and bank balances to meet their working capital requirements.

The State Administration of Foreign Exchange of the PRC imposes control over foreign currencies. Renminbi, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

Exchanges of Renminbi for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of Renminbi into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

23 Financial risk management objectives and policies (cont'd)

23.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their bank balances at floating rates. Other financial liabilities bear interest at fixed rates. All other financial assets and liabilities are interest-free.

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fixed rate instruments				
Financial liabilities				
- other financial liabilities	**3,860**	-	**3,860**	-
Variable rate instruments				
Financial assets				
- bank balances	**2,010**	22,279	**299**	9

Fair value sensitivity analysis for fixed rate instruments
The Group and the Company do not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
At the end of the reporting period, if interest rates had been 75 (2013: 75) basis points higher/lower with all other variables held constant, the Group's and the Company's results net of tax and equity would have been RMB 15,000 (2013: RMB 167,000) and RMB 2,000 (2013: RMB nil) higher/lower, respectively, arising mainly as a result of higher/lower interest income from floating rate bank balances.

The Group's and the Company's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

23.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company have transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, namely Renminbi for the subsidiaries in the PRC and Hong Kong dollar for the Company and the subsidiaries in the British Virgin Islands and Anguila.

At the end of the reporting period, the Group and the Company have other payables and accruals and other financial liabilities which are denominated in Singapore dollar.

23 Financial risk management objectives and policies (cont'd)

23.4 Foreign currency risk (cont'd)

Consequently, the Group and the Company are exposed to movements in foreign currency exchange rates. However, the Group and the Company do not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

The Group's and the Company's exposures in financial instruments to Singapore dollar are as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals	**2,060**	7,924	**2,060**	7,924
Other financial liabilities	**3,860**	-	**3,860**	-
	5,920	7,924	**5,920**	7,924

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Singapore dollar (SGD) exchange rate (against Renminbi), with all other variables held constant, of the Group's and the Company's results net of tax and equity.

The Group and the Company		**2014** **RMB'000**	2013 RMB'000
SGD	- strengthened 5% (2013: 5%)	**(296)**	(396)
	- weakened 5% (2013: 5%)	**296**	396

23.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company do not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

24 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as going concern;
(b) To support the Group's and the Company's stability and growth;
(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
(d) To provide an adequate return to shareholders.

The Group and the Company actively and regularly review and manage their capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Company is not subject to externally imposed capital requirements.

24 Capital management (cont'd)

As disclosed in Note 11, the subsidiaries in the PRC are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is restricted. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2014 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by net capital plus net debt. Net debt comprises trade and other payables and other financial liabilities, less cash and bank balances. Net capital represents equity attributable to owners of the Company less the PRC subsidiaries' restricted statutory reserve fund.

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade and other payables (Note 12)	**24,724**	20,799	**36,071**	32,186
Other financial liabilities (Note 13)	**3,860**	-	**3,860**	-
Total debt	**28,584**	20,799	**39,931**	32,186
Less: Cash and bank balances (Note 9)	**(2,157)**	(22,327)	**(299)**	(9)
Net debt/(cash)	**26,427**	(1,528)	**39,632**	32,177
Equity attributable to owners of the Company	**1,318**	68,952	**(36,569)**	(32,177)
Less: Statutory reserve (Note 11)	**(19,802)**	(19,802)	**-**	-
Net (deficit)/capital	**(18,484)**	49,150	**(36,569)**	(32,177)
Total	**7,943**	47,622	**3,063**	-
Gearing ratio	**N.A.**	N.A.	**N.A.**	N.A.

N.A.: Not applicable

25 Financial instruments

Fair values
The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables, cash and bank balances, trade and other payables and other financial liabilities, are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

26 Events after end of reporting period

At the Extraordinary General Meeting of the Company held on 13 April 2015, the proposed transactions in respect of the loan of S$500,000, facility of S$40 million, placement for an aggregate amount of up to S$45 million, and capital reorganisation for the reduction in the par value of the ordinary shares in the capital of the Company from HK$0.10 to HK$0.01 per share were approved by the Company's shareholders.

STATISTICS OF SHAREHOLDINGS

As at 23 March 2015

Class of shares	:	Ordinary shares
Share capital	:	HK$51,115,439.90
Number of Shares	:	511,154,399
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.06	41	0.00
100 - 1000	69	4.36	68,216	0.01
1,001 - 10,000	477	30.13	2,988,904	0.59
10,001 - 1,000,000	997	62.98	106,137,000	20.76
1,000,001 AND ABOVE	39	2.47	401,960,238	78.64
TOTAL :	1,583	100.00	511,154,399	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	UOB KAY HIAN PRIVATE LIMITED	105,876,500	20.71
2.	PHILLIP SECURITIES PTE LTD	77,568,337	15.18
3.	OCBC SECURITIES PRIVATE LIMITED	37,970,000	7.43
4.	LIU HAIMING	33,790,000	6.61
5.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	25,542,000	5.00
6.	CITIBANK NOMINEES SINGAPORE PTE LTD	17,924,000	3.51
7.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	15,381,000	3.01
8.	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	7,729,000	1.51
9.	HELEN YANG	7,577,000	1.48
10.	RAFFLES NOMINEES (PTE) LIMITED	6,876,000	1.35
11.	HUANG JIAN	5,882,000	1.15
12.	CAI SHUYING	4,924,000	0.96
13.	HONG LEONG FINANCE NOMINEES PTE LTD	4,600,000	0.90
14.	ANG LAI HO	4,425,000	0.87
15.	TEO CHENG TUAN DONALD	4,000,000	0.78
16.	SEAH SEOW CHER	3,760,000	0.74
17.	HE JUN	3,357,000	0.66
18.	LEE KIM HUAT	2,821,333	0.55
19.	WONG SIEW WAH	2,553,000	0.50
20.	CHOO CHEE KIONG	2,500,000	0.49
	TOTAL :	**375,056,170**	**73.39**

STATISTICS OF SHAREHOLDINGS
As at 23 March 2015

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Rainbow Champion Limited*	–	–	95,625,500	18.71
Wang Shi Bo**	–	–	95,625,500	18.71
Wang Yan Fei**	–	–	95,625,500	18.71

* Rainbow Champion Limited is deemed interested in the shares held by UOB Kay Hian Pte. Ltd.

** Wang Shi Bo and Wang Yan Fei are deemed interested in all the shares held by Rainbow Champion Limited, by virtue of their shareholdings in Rainbow Champion Limited.

TREASURY SHARES - Rule 1207(9)(f)

The Company does not have any Treasury Shares.

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

81.29% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Cacola Furniture International Limited (the "Company") will be held at Hotel Re! @ Pearl's Hill, Re! Tune & Re! Call, Level 2, 175A Chin Swee Road, Singapore 169879 on Thursday, 30 April 2015 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 86(1) of the Company's Articles of Association:

   Zhou Zhuo Lin **(Resolution 2)**
   Zhou Min Zong **(Resolution 3)**
   Lau Kay Heng **(Resolution 4)**

   Lau Kay Heng will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees of S$175,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears. (2014: S$175,000) **(Resolution 5)**

4. To re-appoint Foo Kon Tan LLP as the Company's auditors and to authorised the Directors to fix their remuneration. **(Resolution 6)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares up to 50 percent (50%) of issued shares**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 7)**

7. **Authority to allot and issue shares under the Cacola Employee Share Option Scheme**

That the Directors of the Company be authorised and empowered to grant options in accordance with the provisions of the Cacola Employee Share Option Scheme ("Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Tan San-Ju
Cheng Lisa
Company Secretaries

Singapore, 14 April 2015

Explanatory Notes to Resolutions to be passed –

(i) The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If a Depositor wishes to appoint a proxy/proxies to attend the Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, at least forty-eight (48) hours before the time of the Meeting.

3. If the Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Cacola

Cacola Furniture International Limited
家居樂傢俬國際有限公司

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