

**CACOLA FURNITURE INTERNATIONAL LIMITED**

(Incorporated in the Cayman Islands)

Company Registration No. 179492

---

**RESPONSE TO SGX-ST'S QUERIES ON THE UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015**

---

The Board of Directors of Cacola Furniture International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to respond to the questions raised by the SGX-ST on 27 May 2015 in relation to the Company’s announcement on 13 May 2015 in relation to the unaudited financial statements of the Company for the first quarter ended 31 March 2015.

**SGX-ST's Question 1**

We note that ‘Inventories’ has increased as a result of sales orders to be delivered in the following quarters. Please provide the following information:-

- (a) Explain the reason for significant ‘Inventories’ amounting to RMB 20.433 million despite ‘Revenue’ of only RMB 5.584 million in 1QFY2015 and quantify the sales orders for 2QFY2015.
- (b) Provide breakdown by types and aging analysis.

**Company's response:**

- (a) Over 81% of the carrying amount of the inventory was brought forward from previous reporting periods. These consist of orders that were not delivered as they were placed by customers who are short of settlement funds due to the current condition of the property market.

The Company is unable to quantify the sales orders for 2QFY2015 as this period has yet to conclude. However, the Company is having ongoing discussions with the customers who are short of settlement funds and intends to deliver the inventory as soon as their financial position improves. Concurrently, the Company is actively looking for alternative ways to dispose of the inventory through the Group’s existing sales network.

- (b) Inventory breakdown by types and aging analysis is as follows:

	Current RMB'000	31-90 days RMB'000	Over 90 days RMB'000	Total RMB'000
Raw materials	450	191	673	1,314
Work-in-progress	718	-	-	718
Finished goods	1,650	758	15,993	18,401
<b>TOTAL</b>				<b>20,433</b>

**SGX-ST's Question 2**

We note that 'Trade and other payables' has increased due to accrued RTO expenses during the quarter. Please provide breakdown and explain material items.

**Company's response:**

The breakdown for the 'Trade and other payables' line item is as follows:

	Period ended 31.3.2015 RMB '000 Unaudited	Period ended 31.12.2014 RMB '000 Audited
Trade payables	4,784	5,859
Accrued expenses	16,685	15,291
RTO payables	4,354	3,359
Other payables	215	215
<b>TOTAL</b>	<b>26,038</b>	<b>24,724</b>

Trade and other payables increased by about 5% from approximately RMB 24.7 million to approximately RMB 26.0 million due to increases in accrued expenses and reverse take-over payables during the quarter, including progress billing from reporting accountants, valuers, legal and financial advisors, as well as staff salaries and allowances.

**SGX-ST's Question 3**

We refer to page 4 of the Results Announcement on 'Bridge Loan'. Please provide the following information:-

- (a) Whether this loan has been repaid on 2 April 2015.
- (b) Please provide breakdown on how proceeds for general working capital has been utilized.

**Company's response:**

- (a) The loan principal was settled on 14 April 2015. However, the interest accrued on the principal remains outstanding and the Company is working on the settlement of the outstanding amount with the lender.
- (b) The breakdown of the use of proceeds of the bridge loan for general working capital is as follows:

	RMB'000
Advance Capital Partners Limited expense & commission <sup>(1)</sup>	402

RTO professional fees	1,743
Directors' salaries and allowances	355
<b>TOTAL</b>	<b>2,500</b>

**Note:**

- (1) See Company's announcement on SGXNET dated 2 October 2014.

**SGX-ST's Question 4**

We refer to page 4-5 of the Results Announcement on 'Financial liability'. Please provide the following information:-

- (a) Whether "the remaining amount of RMB 1,469,000 after the allotment and issue of settlement shares that shall be repaid by the Company in cash" has been repaid by the Company and confirm whether the Company has financial resources to repay this amount and that if further interest is repayable.
- (b) On outstanding amount unpaid, to provide details on how this will be funded and amount to be repaid.

**Company's response:**

- (a) The remaining amount of RMB 1,469,000 is outstanding as of the date of this announcement.

Bearing in mind the credit facilities made available to the Company pursuant to the Facility Agreement and Placement Agreement<sup>1</sup>, the Company confirms that it has financial resources to repay the outstanding amount.

Further interest will be repayable. However, the lender has represented to the Company that it does not intend to make a demand for the repayment of the outstanding interest and principal so as to enable the Company to carry on its business without a significant curtailment of its operations.

- (b) Please see response at (a) above.

**SGX-ST's Question 5**

We refer to page 5 of the Results Announcement on 'Short term loan'. Please provide the following information:-

---

<sup>1</sup> See company's announcement on SGXNET dated 2 October 2014 and company's circular dated 20 March 2015 for more information.

- (a) Whether the “lender” is the same lender as the lender for ‘Bridge Loan’ and ‘Financial liability’.
- (b) How is the Company able to fund this repayment.

**Company’s response:**

- (a) The lender is a third party that is independent of the Company and is not the same lender as the lenders for ‘Bridge Loan’ and ‘Financial liability’.
- (b) The Company is working on the settlement of the outstanding amount with the lender and may tap on the credit facilities made available to the Company pursuant to the Facility Agreement and Placement Agreement .

**BY ORDER OF THE BOARD**

**ZHOU ZHUO LIN**  
**CHIEF EXECUTIVE OFFICER**  
28 May 2015