

PLASTOFORM HOLDINGS LIMITED
(Company Registration Number : 34171)
(Incorporated in Bermuda)

SHAREHOLDER LETTER

Dear Shareholders

PLASTOFORM'S RIGHTS ISSUE TO FUND EXPANSION AS COMPANY POSITIONS FOR TURNAROUND AND GROWTH IN GLOBAL MARKETS

- ***Proposes renounceable non-underwritten rights issue of shares on the basis of one rights share for every two existing ordinary shares***

We are pleased to advise that PlastoForm's journey of growth is poised to begin.

RATIONALE OF RIGHTS ISSUE

This Rights Issue will fund our working capital and accelerate the development of new products for distribution globally. As you read on, you'll find out more about our growth plans to tap on the exciting wireless and WiFi audio industry. We strongly believe that this will ultimately enhance shareholder value.

Indeed, we have come a long way in the restructuring of our business model – rightsizing and proactively developing our own unique products – trendy lifestyle audio and multimedia accessories including Bluetooth and wireless products – which resulted in incredible sales orders since the middle of FY2011. Our outstanding engineering capabilities enable us to create new state-of-the-art acoustic products as well as file several new patents for this high value range.

Backed by our strong design and acoustic engineering team, we expect to launch a number of new lifestyle products that will keep our production facilities fully utilised. At the same time, as we have done in the past, we will continue to keep a tight rein over costs with a view to return the Company to profitability in the current financial year as well as to grow the Company's profitability in the coming years.

With restructuring in place, an improved working capital position and a strong focus on growing our businesses, we have a strong impetus to fuel our company's growth.

We are pleased to note that three of our major shareholders collectively holding 44.32% of the existing share capital have given irrevocable undertaking to subscribe fully for their respective entitlements, provided that their aggregate shareholding in the Company following the completion of the Proposed Rights Issue shall not exceed 45.22% of the enlarged share capital of the Company and they will not be placed in a position of incurring a mandatory general offer obligation under Rule 14 of the Code as a result of the increase in its aggregate interest.

SOLID, STRUCTURED STRATEGIES AND PLANS FOR TURNAROUND

- **Rejuvenation of Leadership with Appointment of new Deputy CEO**

As part of senior management rejuvenation, we have recently appointed Mr Robert Perry as our Deputy CEO. Bob has a proven track record of success with global consumer electronics companies, including Panasonic, LG Electronics, Mitsubishi and Sharp, to name a few. Given Mr Perry's strong expertise, we are confident that this will be a strong impetus to drive our growth globally.

- **Enhancing Our Manufacturing Capability**

As a manufacturer of leading edge audio products, we have high capabilities in the design, engineering, development and manufacturing of quality, mobile audio range. We have over 15,000 sq m of production area, with the latest in manufacturing technology. We remain committed to the streamlining of operations through investments in production line automation and tightening of costs, particularly controls over production expenses. In line with this commitment, we have reduced our direct labour headcount significantly since 2Q 2012 whilst increasing production output, hence improving overall productivity. Gross margin improvement in our 2Q 2014 results is a feat and clearly reflects PlastoForm's ability to manage our operations and ride the innovation cycle well.

We are firmly focused on strategic programmes to drive operating efficiencies and improve our speed to market.

- **Our Focused Marketing Actions**

We continue to invest strongly in key personnel, infrastructure and capabilities to deepen our relationship with existing Tier-1 customers. At the same time, to spread our revenue streams, we have focused our energies on penetrating new markets outside of the consumer electronics sector, in particular, co-branding and developing audio products for lifestyle brands as well as developing related products in the wireless Bluetooth device sector.

Our strategic shift from OEM to the higher value ODM segment has proven to be a success. We have embarked on a strategic review of our operating processes, capabilities and execution, with the aim of strengthening our results-oriented accountability model to drive improvements in all areas and at the same time, to further sharpen our competitive edge.

- **Continued Product Development Tapping the Global Technology Transformation**

Our Group has become a sought after ODM manufacturer of Bluetooth speakers and continues to innovate in this new and fast growing segment.

A leading research organisation in their report "*Future Source Consulting Ltd "Global shipments of wireless home audio products grew by 100% in 2013 to 27 million units"*" highlighted a 100% growth in the wireless audio industry in 2013. Another leading research – *MarketsandMarkets "Wireless Audio Device Market – Global Forecast & Analysis 2013-2018"* – reported that the wireless audio industry is expected to generate revenues of US\$13.75 billion by 2018, growing at a CAGR of 24% for the period 2013 to 2018.

A clear market trend in the industry is the addition of high-end WiFi enabled wireless products for home and high-performance audio reproduction to Bluetooth, as well as the growth of Bluetooth Low Energy, which allows for products to become part of a mesh network control environment.

As a pioneer in the development of Bluetooth audio speakers in the industry and a critical part of the smartphone and mobile device ecosystem, we are well-positioned to seize opportunities in the wireless audio industry. Not only are we investing our R&D in core technologies such as WiFi technology, we also continue to focus on improvement programmes to grow our capabilities in our overall business.

Additionally, for our licensed and branded business, a number of key development activities are underway. With improved channel and marketing strategies, as well as related infrastructure, we are excited about the potential of this business.

As you can see from our growth plans, we are fully committed to our strategy of long-term innovation and integrity and will continue to bring cutting edge products to meet the demands of an increasingly mobile lifestyle worldwide.

On behalf of the Board, I seek your continued support of PlastoForm and strongly urge all Shareholders to support this Rights Issue.

Thank you.

Sincerely,

Tse Kin Man
Executive Chairman
25 August, 2014