PlastoForm
Holdings Limited

ANNUAL REPORT

2017

CORPORATE PROFILE

Plastoform has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") since 2006. We have over 30 years' experience in delivering premium quality OEM and ODM services, provide Electronics Manufacturing Services (EMS) to world's most renowned brands and have earned repeated industry accolades for our dedication to innovation and excellence. Our products' outstanding design and acoustic performance have received industry recognition, including Red Dot Design awards, CES innovation award, and Hong Kong Award for Industries. We pride ourselves in offering a one-stop manufacturing solution service and believe it's the quality of our service that sets us apart.

Our design and R&D teams have a wealth of acoustic knowledge and skills, particularly strong expertise in wireless connectivity technologies, AI and voice recognition, commercial speech & voice devices, smart audio and IoT applications. We are among the few manufacturers able to fully control acoustic performance, and ensure we can deliver each client's unique audio DNA.

We build long term relationships with business partners and create best-selling products we are intensely proud of, which delight customers around the world that ensure our mutual success.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Tien Hin, Winston
(Non-Executive Chairman and Director)

Tse Kin Man
(Executive Director and
Chief Executive Officer ("CEO"))

Chiu Kwong Fai
(Executive Director and Deputy CEO)

Khor Peng Soon
(Lead Independent Director)

Fong Hean Chuan
(Independent Director)

AUDIT COMMITTEE

Khor Peng Soon (Chairman)
Tan Tien Hin, Winston
Fong Hean Chuan

NOMINATING COMMITTEE

Fong Hean Chuan (Chairman)
Khor Peng Soon
Tan Tien Hin, Winston

REMUNERATION COMMITTEE

Fong Hean Chuan (Chairman)
Khor Peng Soon
Tan Tien Hin, Winston

COMPANY SECRETARIES

Cheng Lisa, ACIS
Liu Wai Man
Conyers Corporate Services (Bermuda) Limited
(Assistant Secretary)

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda.
Tel: 1 441 295 1422
Fax: 1 441 292 4720

BUSINESS OFFICE

Room 902-4, Seapower Centre,
73 Lei Muk Road,
Kwai Chung, New Territories,
Hong Kong.
Tel: (852) 2422 7106
Fax: (852) 2480 5476

BERMUDA SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda.

SINGAPORE SHARE TRANSFER AGENT

B.A.C.S. Private Limited
8 Robinson Road #03-00,
ASO Building,
Singapore 048544.

AUDITORS

Foo Kon Tan LLP
Chartered Accountants
24 Raffles Place,
#07-03 Clifford Centre,
Singapore 048621.

Parter-in-charge: Kong Chih Hsiang Raymond
(Since financial year ended 31 December 2013)

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present Plastoform Holdings Limited's ("Plastoform" or the "Group") annual report for the financial year ended December 2017 ("FY2017").

Complementing the financial statements which provide details of our operations, I would like to comment on our performance, changes in the marketplace, our endeavours to create more innovative products with lower costs, and our attempts to capture new revenues sources.

OUR PERFORMANCE

Group sales for twelve months ended December 31, 2017 fell 55.6% to HK$110.1 million when compared to sales for FY2016. FY2017 Gross profit declined to 13.1% of sales, as compared to 20.8% in FY2016. The consolidated net loss widen to HK$47.9 Million in FY2017 from HK$7.6 Million in FY2016.

In 2017, the Global Bluetooth speaker market was flooded with endless numbers of new brands launching their Bluetooth speakers worldwide. The three tech giants – Amazon, Google, and Apple also launched their smart audio speakers which added greater competitive pressures to the Global Consumer Audio marketplace. Our major customers in the audio field suffered from significant drop in sales which induce the decline in the Group's business.

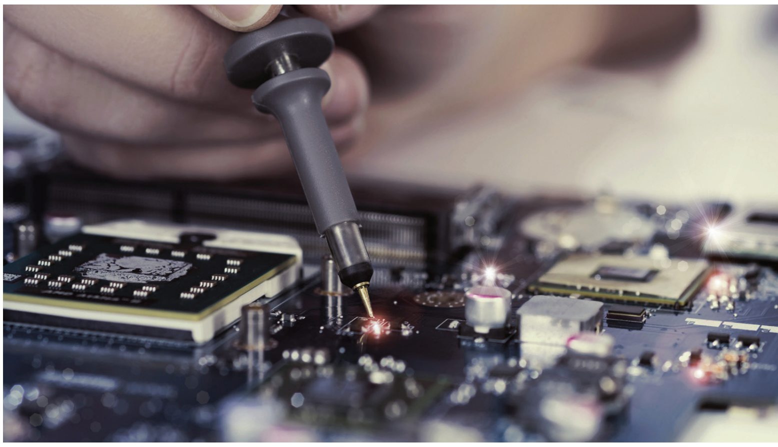
PROSPECTS AND FUTURE PLAN

The Group instituted stringent cost controls and streamlined organisational structures and operational procedures. All new projects and investment in new products have to be scrutinised extra carefully, especially to ensure that products sold to our customers must also sell quickly.

Having products which are able to attract the end customers must be the basis for sound business justification in such challenging times.

The connectivity of the Internet coupled with audio as a medium of interaction is opening up a range of new possibilities for the use of Internet of Things (IoT). The Smart audio speakers introduced the Voice Recognition (VR) control to the consumer market, which probably can be used as an input and control medium for forthcoming years in consumer electronic devices. It is about to bring us, as well as our customers an opportunity to apply VR in a wide scope of products including the speakers. We will work with major customers to develop products with the VR feature in order to capture more business in FY2018.

The Smart audio speakers introduced the Voice Recognition (VR) control to the consumer market, which probably can be used as an input and control medium for forthcoming years in consumer electronic devices. We will work with major customers to develop products with the VR feature in order to capture more business in FY2018.



As part of our risk management strategy, we will expand our business to the commercial and industrial sectors with different technology and product applications.

We are confident that we will acquire new customers by leveraging on our core audio competence. Aggressive sales and relationship strategies will be employed to fight for more revenues.

Last but not least, we will definitely maintain our core competence in the digital audio industry to provide excellent product development and manufacturing, industrial product design, R&D and engineering services for customers. We have and will continue to design, develop and manufacture new and innovative smart audio products and VR devices.

As the business conditions continue to be challenging, seeking new capital, new partners, and diversification into a few new business segments is an urgent and necessary direction for the Group.

Fund raising option, including right issue exercises are being considered by the Company to obtain additional cash in order to meet its working capital needs.

APPRECIATION

Last but not least, I would like to take this opportunity to extend my greatest appreciation and gratitude to our management team, staff, suppliers, business associates and customers for their continued support through the years. Special thanks go also to the Board of Directors for their judicious counsel and guidance to the Group.

In particular, we want to thank Michael Tse who has stepped down as Chairman for health reasons and will remain a driving force for Product Innovation and Design, and Fong Hean Chuan who has served on the Board for 7 years as well as Chairman of our Nominating and Remuneration Committees since 2013.

Finally, I would also like to thank our shareholders once again for your support through several years of difficult times. We will continue to strive for better results and shareholder value in the coming years.

Sincerely,

TAN TIEN HIN, WINSTON
NON-EXECUTIVE CHAIRMAN

BOARD OF DIRECTORS

TAN TIEN HIN, WINSTON
Non-Executive Chairman and Director

Mr. Tan Tien Hin, Winston is the Non-Executive Director of the Company since 4 April 2011 and was appointed as Non-Executive Chairman of the Company on 1 March 2018. Being Non-Executive Chairman, Mr. Tan is responsible for providing leadership to the Board, encouraging proactive participation and constructive discussions between Board members and for enhancing the effectiveness of the Board and Board Committees. He is a member of the Audit, Nominating and Remuneration Committees. Mr. Tan serves on the Board of other listed companies, including Roxy-Pacific Holdings Limited and Serrano Holdings Pte Ltd. He is also on the Board of several private companies including Armour Publishing Ltd, FMS Hospitality Pte Ltd, Astralink Technology Pte Ltd, and Sinbor Company (Private) Limited.

Mr. Tan is the Managing Director for Winmark Investments Private Limited and Corporate Brokers International Private Limited, which are involved in Private Equity and Strategic Investments with high growth potential. Mr. Tan has over 24 years of Corporate and Investment Banking experience. His previous appointments include being General Manager of Deutsche Bank AG (Singapore Branch), Vice-President in Citibank N.A. and Director of Singapore Technologies Engineering Ltd. Mr. Tan graduated from the University of Singapore with a Bachelor of Science (Physics) degree and completed an Executive Development Program at Columbia University in New York. Mr. Tan was last re-elected as a Director of the Company on 27 April 2017.

TSE KIN MAN
Executive Director and CEO

Mr. Tse Kin Man is the Executive Chairman of our Group since 23 September 2003. He relinquished the role as Executive Chairman and assume the role of Chief Executive Office ("CEO") on 1 March 2018. He is responsible for the development of overall corporate strategies as well as marketing and product development of the Group. Mr. Tse has over 30 years of manufacturing background specialising in electronics design along with more than 20 years extensive experience in entrepreneurship and business management. Prior to joining Plastoform, he was one of the founders and Director of R&D at STD Holding Limited specialised in the video game accessories products. His career escalated since 1979 when he joined Bondwell Holding Limited as Chief Designer and he carried the title of General Manager at Bondwell Engineering Limited (a wholly owned subsidiary of Bondwell Holding Limited) when he left in 1987. Mr. Tse's comprehensive knowledge has led Plastoform to evolve from manufacturing plastic moulding in 1995 to OEM/ODM multimedia speakers today.

Mr. Tse obtained a Higher Diploma in Design from Hong Kong Polytechnic in 1977. He was also admitted as a full member of the Hong Kong Designers Association in January 2006. Mr. Tse has a strong sense of the evolutionary trend-setting products trends and has a proven track record of manufacturing including LCD watches and clocks in 1977, Atari joystick and game cartridges in 1982-84, PC multimedia speakers in 1990 just after Soundblaster was launched. Mr. Tse was last re-elected as a Director of the Company on 27 April 2017.

CHIU KWONG FAI

Executive Director and Deputy CEO

Mr. Chiu Kwong Fai was appointed to our Board on 23 September 2003 and has been with Plastoform Industries Limited ("PIL") since 1987. He relinquished the role as Deputy Executive Chairman and assume the role of Deputy CEO on 1 March 2018. Mr. Chiu would assist Mr. Tse Kin Man, the Executive Director and CEO, in responsible for the development of overall corporate strategies as well as manufacturing and operations of the Group. He is also responsible for direct leadership for Operations Divisions, Supply Chain Division and Product Development & Engineering Division. Mr. Chiu has over 30 years of experience in the product design and manufacturing industry. Prior to joining PIL in 1987, Mr. Chiu worked at International Quartz Limited (a subsidiary of Chiap Hua Industries Limited) where he headed the industrial design and mechanical/industrial engineering department for 5 years before joining PIL. He joined PIL in 1987 as a Product Manager and was promoted to General Manager and was eventually appointed Director in 1992.

Mr. Chiu obtained a Higher Diploma in Design from Hong Kong Polytechnic in 1977. He was also subsequently awarded a Certificate in Industrial Management in 1982 from Hong Kong Polytechnic, a Certificate in Industrial Management from the Institution of Industrial Managers in 1982, and a Higher Certificate in Communication, Advertising and Marketing in 1988 from Hong Kong Polytechnic. Mr. Chiu has been admitted as an associate of the Institution of Industrial Managers since 1983. Mr. Chiu was last re-elected as a Director of the Company on 28 April 2016.

KHOR PENG SOON

Lead Independent Director

Mr. Khor Peng Soon joined the Board on 21 August 2006 and was appointed as the Lead Independent Director on 22 November 2013. He is the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Mr. Khor is the Chairman of ONI Global Pte. Ltd. In this capacity, he provides strategic oversight over the company's franchised GNC retail business in Singapore, Malaysia and Taiwan and investments in retail of nutrition and health products and services. He is also the Managing Director of JP Ying Advisory. He sits on the board of another public listed company, Trek 2000 International Limited and the boards of several other private companies.

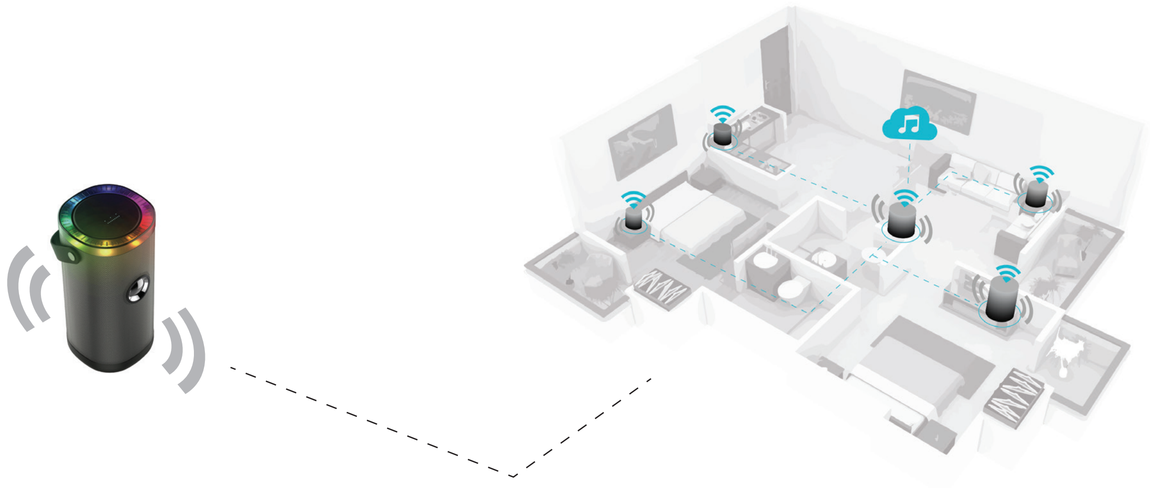
Mr. Khor previously held senior management positions in Temasek Holdings, SembCorp, EY and the EDB. He holds a Master of Engineering Science (Industrial Engineering) degree from the University of New South Wales, Australia. Mr. Khor was last re-elected as a Director of the Company on 28 April 2016.

FONG HEAN CHUAN

Independent Director

Mr. Fong Hean Chuan was appointed to the Board on 12 August 2011 as a Non-Executive Director, and was re-designated as an Independent Director in 2013. He is the Chairmen of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. He is currently the Executive Director of Astralink Technology Pte Ltd. Prior to that, he worked in Defense Materials Organisation (DMO), Ministry of Defense in Singapore, as a Program Manager for 5 years. He then moved on to join AT&T Consumer Products Singapore taking up leadership and manager postion in quality management, engineering and product development during his seven years of employment there. Mr. Fong graduated from National University of Singapore with a B.E. (Electrical) Degree and a post-graduate degree in Master of Science (Industrial Engineering) in the same university. Mr. Fong will not be seeking re-appointment at the forthcoming Annual General Meeting ("AGM") of the Company and will retire as a Director of the Company after the conclusion of the AGM.

KEY MANAGEMENT



LIU WAI MAN, RAYMOND

Group Financial Controller

Mr. Liu Wai Man, Raymond joined the subsidiary of Plastoform Group as Operational Financial Controller in March 2014 and was appointed as the Group Financial Controller and Company Secretary of Plastoform Holdings Ltd on 23 May 2014. He is in charge of the Group's overall finance and accounting functions, tax planning, internal and external reporting matters of the Group, investor relations and to ensure proper compliance with the relevant accounting standards, listing rules and regulations.

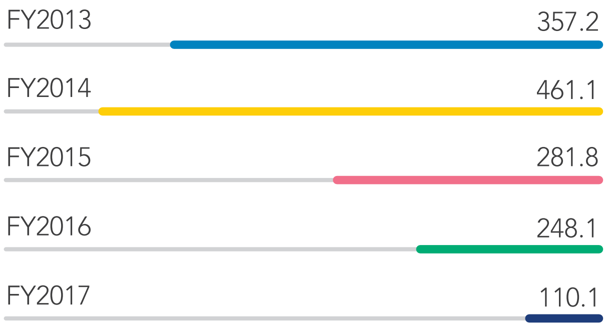
Mr. Liu is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He holds a Bachelor of Business Administration (Hons) from Hong Kong Shue Yan University, a Bachelor of Management (Accounting) from Jinan University and also holds a Master of Arts in International Accounting from City University of Hong Kong, a Master of Science in Management (Human Resource Management) from the Hong Kong Polytechnic University, a Master of Science in Information Systems Management from the Hong Kong University of Science and Technology and a Master of Business Administration from University of South Australia.

Mr. Liu has over 28 years of experience in management accounting, financial controlling, treasury, IT, personnel and administration functions in multinational companies & companies listed in Hong Kong and Singapore, in which he got more than 18 years' experience taking the positon as Financial Controller, including in BCcomponents Hong Kong Ltd (a division of Philips Electronics Components prior to 1999), Nam Tai Electronic & Electrical Products Ltd and GP Batteries International Ltd.

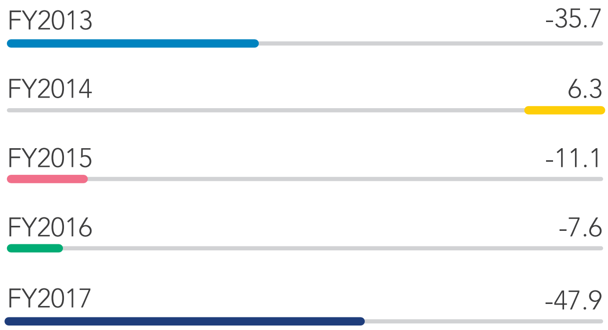
FINANCIAL HIGHLIGHTS

	FY2015	FY2016	FY2017
USA	162.4	128.2	42.3
Europe	32.1	11.2	12.7
Asia Pacific	87.3	108.2	52.8
Others	-	0.5	2.3
HK$' mil			
Revenue	281.8	248.1	110.1
Gross Profit	67.2	51.7	14.4
Loss before Income Tax	(10.1)	(7.6)	(47.9)
Net Loss	(11.1)	(7.6)	(47.9)
Gross Margin	23.9%	20.8%	13.1%
Net Margin	NA	NA	NA
Gearing	Net Cash	Net Cash	Net Cash
ROE (%)	NA	NA	NA
ROA (%)	NA	NA	NA
EPS (HK cents)	(27.4)	(18.8)	(118.4)
NAV per share (HK cents)	276.46	244.7	125.5

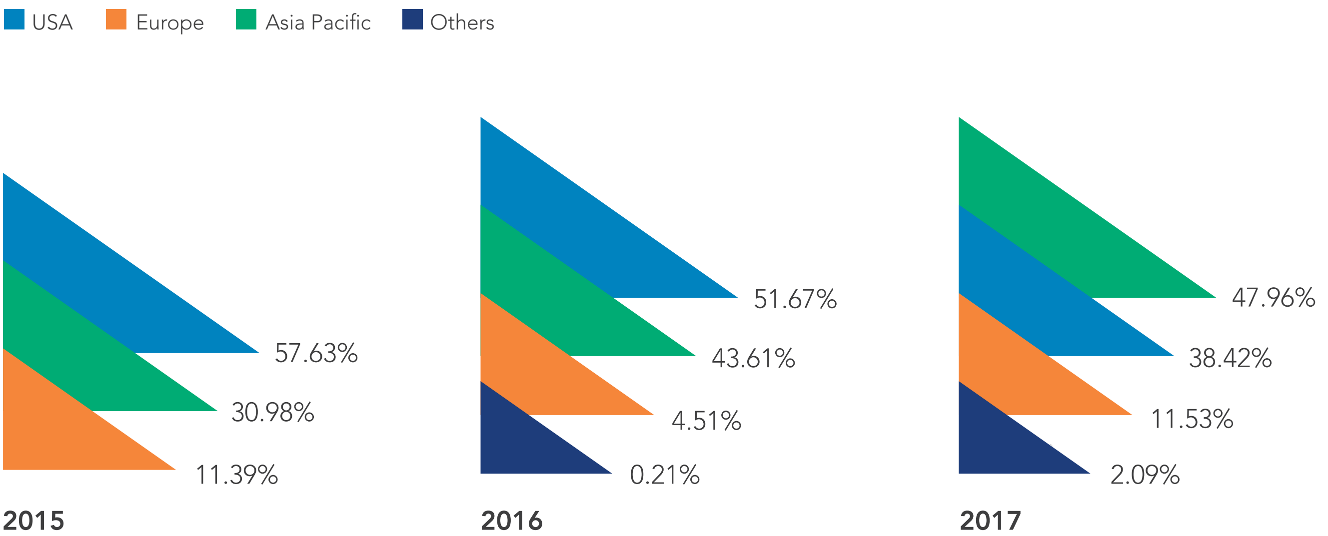
REVENUE *(HK$' MIL)*



NET PROFIT / (LOSS) *(HK$' MIL)*



GEO SEGMENT



OPERATIONS REVIEW

FY2017 revenue decreased by 55.6% or HK$138.0 million from HK$248.1 million in FY2016 to HK$110.1 million in FY2017. This significant decrease was attributed to weak demand from some major customers.

Gross profit decreased by HK$37.3 million from HK$51.7 million in FY2016 to HK$14.4 million in FY2017 in line with the decrease in sales. The overall gross profit margin decreased by 7.7% from 20.8% in FY2016 to 13.1% in FY2017 mainly due to lower factory overheads could not offset the negative impact of decline in sales.

Selling and distribution costs decreased by 22.6% or HK$2.6 million from HK$11.5 million in FY2016 to HK$8.9 million in FY2017, mainly due to the decrease in transportation cost HK$2.1 million and licensing fee HK$1.1 million.

General and administrative expenses increased by 11.2% or HK$5.6 million from HK$49.8 million in FY2016 to HK$55.4 million in FY2017, mainly due to the increase of impairment loss of plant and equipment HK$8.7 million, decrease of exchange gain HK$2.0 million, partially offset the decrease of staff cost HK$4.0 million.

Loss before income tax increased by HK$40.3 million from HK$7.6 million in FY2016 to HK$47.9 million in FY2017 mainly due to the decrease of sales.

FINANCIAL POSITION

Plant and equipment decreased by HK$7.4 million from HK$8.3 million as at 31 December 2016 to HK$0.9 million as at 31 December 2017 mainly due to impairment loss of plant and equipment HK$8.7 million recognised in 2017.

Intangible asset – club memberships decreased by HK$0.2 million from HK$0.7 million as at 31 December 2016 to HK$0.5 million as at 31 December 2017 was due to the impairment losses recognized in 2017.

Trade receivables decreased by HK$22.3 million from HK$73.4 million as at 31 December 2016 to HK$51.1 million as at 31 December 2017 mainly due to lower of sales.

Deposits, prepayment and other receivables decreased by HK$6.4 million from HK$10.2 million as at 31 December 2016 to HK$3.8 million as at 31 December 2017 mainly due to the decrease of VAT receivable in line with lower purchase of raw materials.

Trade payables decreased by HK$14.5 million from HK$61.3 million as at 31 December 2016 to HK$46.8 million as at 31 December 2017 mainly due to lower purchase of raw materials.

Deposits received in advance increased by HK$5.5 million from HK$0.3 million as at 31 December 2016 to HK$5.8 million as at 31 December 2017 mainly due to deposits received for new projects from customers.

CASH FLOW

Net cash used in operating activities increased by HK$3.3 million from HK$11.5 million in FY2016 to HK$14.8 million in FY2017, mainly due to increase of loss, partially offset the working capital released from lower sales.

SUSTAINABILITY REPORT

FY2017

BOARD STATEMENT *102-14*

We are pleased to present the first Sustainability Report (the "Report") of Plastoform Holdings Limited ("Plastoform" or the "Group"). This Report aims to inform stakeholders of Plastoform about our sustainability performance in a transparent and accountable manner. The Report covers the Group's strategies, initiatives and performance in relation to economic, environmental, social and governance issues.

Our report draws on the internationally recognized framework Global Reporting Initiative's ("GRI") Sustainability Reporting Standards. In 2016, the Singapore Exchange ("SGX") introduced sustainability reporting on a "comply or explain" basis for financial years ("FY") ending on or after 31 December 2017.

At Plastoform, we recognize that sustainability forms an integral part of our operations and strategies, and we strive to drive our operations in the direction in which we can contribute positively to all our stakeholders. We have identified 16 indicators that matter most to our business, and to both internal and external stakeholders. These material issues are taken into account through our three sustainability strategies – environmental sustainability, human capital, and business integrity.

SUSTAINABILITY REPORT

BOARD STATEMENT *(CONTINUED)* *102-14*

ENVIRONMENTAL SUSTAINABILITY

We recognize that there is a need to combat climate change today and Plastoform is committed to minimizing our environmental impact by focusing on reducing the energy footprint of our most significant energy consumption - electricity, while concurrently balancing our commercial needs.

We have implemented energy efficient initiatives such as replacing the lights at our Shenzhen offices with energy saving LED lights; and have set monthly electricity and water consumption targets. While actual consumption is generally within the monthly targets, we plan to further improve on our electricity-saving efforts through the continuous education of employees to increase awareness on the importance of environmental sustainability.

HUMAN CAPITAL

Employees are valued at Plastoform as human capital is a key lever to our growth and success. We focus on the personal well-being of employees, and to ensure employees' health, we have engaged an independent consultant to evaluate the impact of chemical and noise pollution on employees' health.

Results showed that the concentration of air-borne particles released during the production process are within the approved range required by the relevant regulations. While the consultant noted that the noise pollution generated by the production machineries are out of the regulatory approved range, we have already taken measures to address this by operating fewer machineries concurrently to reduce the noise generated. Further, annual health check-ups will continue to be provided to employees to monitor their health and ensure their well-being.

BUSINESS INTEGRITY

Corporate governance is an important core value of Plastoform. We do not tolerate corruption and fraud, and have established policies to address business conduct expected of all employees. In addition, all employees are required to undergo mandatory annual refresher sessions on anti-corruption.

LOOKING AHEAD

The economic, environment, social, and governance landscape is constantly evolving, and we recognise the need to adapt our operations to these changes.

We will continue to integrate sustainability into our daily operations across the Group and we appreciate having all our stakeholders on this journey together to a more sustainable future.

Chairman, Board of Directors

OUR APPROACH TO SUSTAINABILITY

GRI GUIDELINES

This report is prepared based on the GRI Sustainability Reporting Standards 2016, in accordance with the Core option. The GRI content index and relevant references are provided on pages 21 – 24. We have not sought external assurance for this reporting period. *102-54 102-56*

REPORTING PERIOD

Plastoform's Sustainability Report is published on an annual basis. This is the first year Plastoform is preparing the Sustainability Report and the report covers the Financial Year 2017, for the period 1 January 2017 to 31 December 2017. *102-49 102-50 102-51 102-52*

BOARD OF DIRECTORS

AUDIT COMMITTEE

SUSTAINABILITY EXECUTIVE COMMITTEE

CHAIRMAN
(CHIU KWONG FAI)
(Executive Director and Deputy CEO)

Economic & Governance Sustainability Champion
(Group Financial Controller, Raymond Liu & General Manager - Operations, Enzo Lai)

Environment Sustainability Champion
(Operation Consultant, Terry Suen)

Social Sustainability Champion
(Human Resource Director, Doris Wong)

REPORTING SCOPE

All data, statistics and improvement targets are in relation to Plastoform's operations in Hong Kong and Shenzhen, unless stated otherwise. *102-45*

There are no restatements of information in this report. *102-48*

OUR SUSTAINABILITY STRUCTURE

Plastoform's sustainability drive is spearheaded by the Sustainability Committee which oversees the group-wide sustainability strategies and initiatives.

FEEDBACK

Our stakeholders' views are important to us and we welcome feedback on this report and any aspect of our sustainability performance. Please address all feedback to Mr. Chiu Kwong Fai, the Executive Director and Deputy CEO, at kfchiu@plastoform.com. *102-53*

OUR SUSTAINABILITY STRATEGY

Plastoform's sustainability strategy – environmental sustainability, human capital, and business integrity, was formalized by the Sustainability Committee in 2017. Plastoform places sustainability at the core of our strategy and operations to create sustainable value for all our stakeholders. *102-14*

STAKEHOLDER ENGAGEMENT

Collaboration with our stakeholders supports us in addressing sustainability challenges and opportunities. We engage with our stakeholders regularly, and incorporate relevant and appropriate feedback into our planning and actions. *102-40 102-42 102-43 102-44*

SUSTAINABILITY REPORT

OUR APPROACH TO SUSTAINABILITY *(CONTINUED)*

Stakeholders	Stakeholders' Expectations/Concerns	Engagement Platform
Employees	• Safe and conducive workplace • Fair labour practices and compensation	• Trainings • Grievance/ feedback channels • Regular reviews and appraisals • Intranet platform for policies, news and benefits
Customers	• Product quality and innovation • Product compliance to all relevant regulations • Timely follow-up on customer feedback • Ability to offer competitive and cost-efficient solutions which are safe and environmentally responsible	• Feedback channels such as email and telephone communications • Client meetings • Corporate website, email and newsletters
Suppliers	• Clear two-way communication channels • Timely feedback regarding materials/ services provided	• Inspections and quality site visits • Quotations and requests for proposal • Raw material specifications discussion meetings
Shareholders & Regulators	• Business resilience and financial performance • Business strategy and direction • Corporate governance and compliance • Transparent and timely communication of information	• Results announcements and news releases • Corporate website and email.

MATERIALITY REVIEW PROCESS

The materiality principle is applied to define the content of the Sustainability Report. As part of Plastoform's process to determine materiality, an internal strategy review and sustainability workshop moderated by an external consultant were organized during the year. During these sessions, the Group reviewed its vision, mission and core values, strategic direction, sustainability impacts and material topics.

We reflected on significant economic, environmental and social impacts to determine aspects that are material to the organization. As a result, 16 indicators were assessed and grouped into three categories. The materiality assessment was subsequently endorsed by Plastoform's Sustainability Committee. *102-46 102-47*

Environmental, economic, social and governance are integral to Plastoform's success as we strive to build a sustainable future for all our stakeholders. We identified the following 16 indicators during the assessment conducted in accordance with GRI's Sustainability Reporting Standards 2016.

OUR APPROACH TO SUSTAINABILITY *(CONTINUED)*

Environment		
Energy	302-1 302-4	Energy Consumption within the Organization Reduction of Energy Consumption
Effluents & Waste	306-2	Waste by Type and Disposal method
Compliance	307-1	Non-compliance with environmental laws and regulations
Supplier Assessment	308-1	Percentage of New Suppliers that were Screened using Environmental Criteria

Economic		
Economic Performance	201-1	Direct Economic Value Generated and Distributed

Social		
Anti-Corruption	205-2 205-3	Communication and Training on Anti-Corruption policies and procedures Confirmed Incidents of Corruption and Actions taken
Employment	401-1 401-3	New employee hires and employee turnover Parental leave
Occupational Health & Safety	403-2 403-3	Type of Injury and Rates of Injury, Occupational diseases, Lost Days, and Absenteeism, and number of Work Related Fatalities Workers with High Incidence or High Risk of Diseases related to their occupation
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken
Customer Health & Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services
Compliance	419-1	Non-compliance with laws and regulations in the social and economic area

SUSTAINABILITY REPORT

ENVIRONMENT

WHAT WE DID IN 2017

- The concentration of chemical particles released into the air during production was certified to be within the approved range according to the relevant regulations 《中国人民共和国职业病防治法》and《工作场所职业卫生监督管理规定》by an external consultant.
- Electricity and water consumption was within the targets established for 2017.
- Strengthened employees' awareness on the importance of environmental sustainability through signs and posters advocating energy and water reduction around the office.

WHAT WE PLAN TO DO

- To identify and manage the utilization of major contributors of energy consumption.
- To decrease electricity consumption used outside the manufacturing process.
- Annual targets will continue to be set for electricity and water consumption.
- Continue to educate employees on the importance of environmental sustainability.

ENERGY CONSUMPTION

Plastoform's primary source of energy demand is electricity, which is used to power the machineries used in production. Electricity is purchased from the national energy grid. Tracking and monitoring of the electricity consumption is performed.

In FY2017, Plastoform consumed 2,067,573 watts of electricity for its operations as compared to 1,902,790 watts in FY2016.

Energy consumption is seasonal, with consumption peaking during the months July – September. While electricity consumption increased by 8% from 2016 to 2017, monthly electricity usage has generally been below the target consumption amount. We plan to further improve our electricity-saving efforts through continuous education of employees to increase awareness of the importance of environmental sustainability. *302-1*

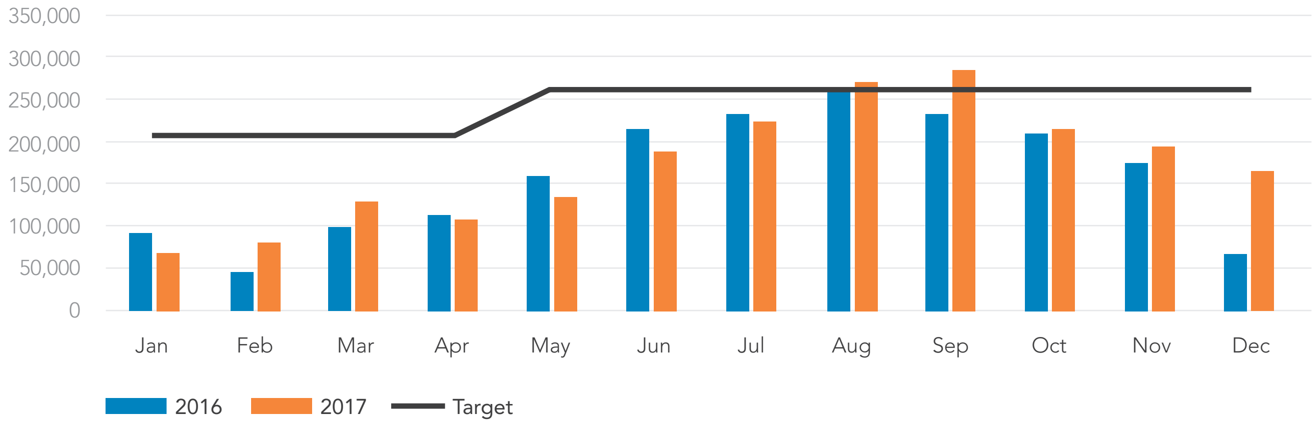
REDUCTION OF ENERGY CONSUMPTION

The Group recognizes the importance of energy reduction and engages in electricity-saving initiatives. The most recent initiative implemented includes replacing all the lights at our Shenzhen warehouse with energy-saving LED lights.

We have also established monthly electricity consumption targets. In the event that actual consumption exceeds the target, the safety supervisor will identify the cause. Further, employees are constantly reminded on the virtue of switching off electrical appliances when not in use through signs and notices located around office. *302-4*

ENVIRONMENT *(CONTINUED)*

ELECTRICITY CONSUMPTION (WATTS)

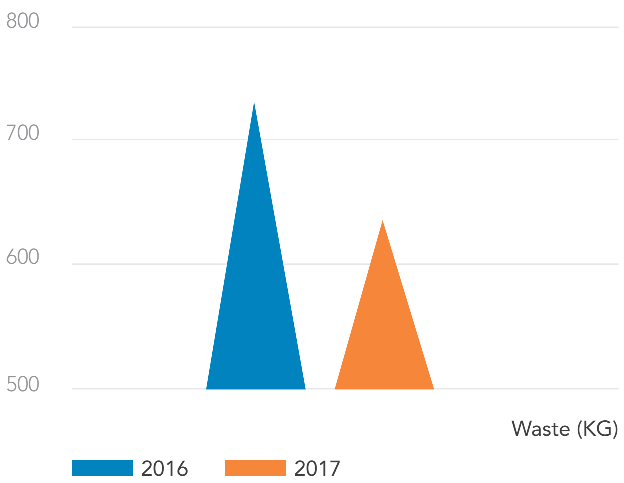


WASTE

Waste generated by Plastoform include printed circuit boards, empty oil barrels, empty adhesive containers, batteries and office consumables. All waste generated will be treated and disposed responsibly.

A total of 630kg of waste was disposed in 2017 as compared to 730kg in 2016. *306-2*

WASTE DISPOSED



As most of the waste generated are regarded as hazardous materials, Plastoform engages licensed waste collection vendors to ensure that the disposal of these wastes are performed safely and is in compliance with government regulations.

COMPLIANCE

Plastoform is not aware of any violations to laws and regulations pertaining to the environmental aspect. *307-1*

SUPPLY CHAIN

Plastoform works closely with both local and foreign suppliers in different business segments to advocate sustainable and environmentally friendly processes and solutions. *102-9*

SUPPLIERS

In accordance with our policy, "Supplier Evaluation Procedure (January 2013)", all new suppliers are assessed using the "Supplier Assessment Checklist" on areas such as business conduct, labour practices, safety and health and environmental management. *308-1*

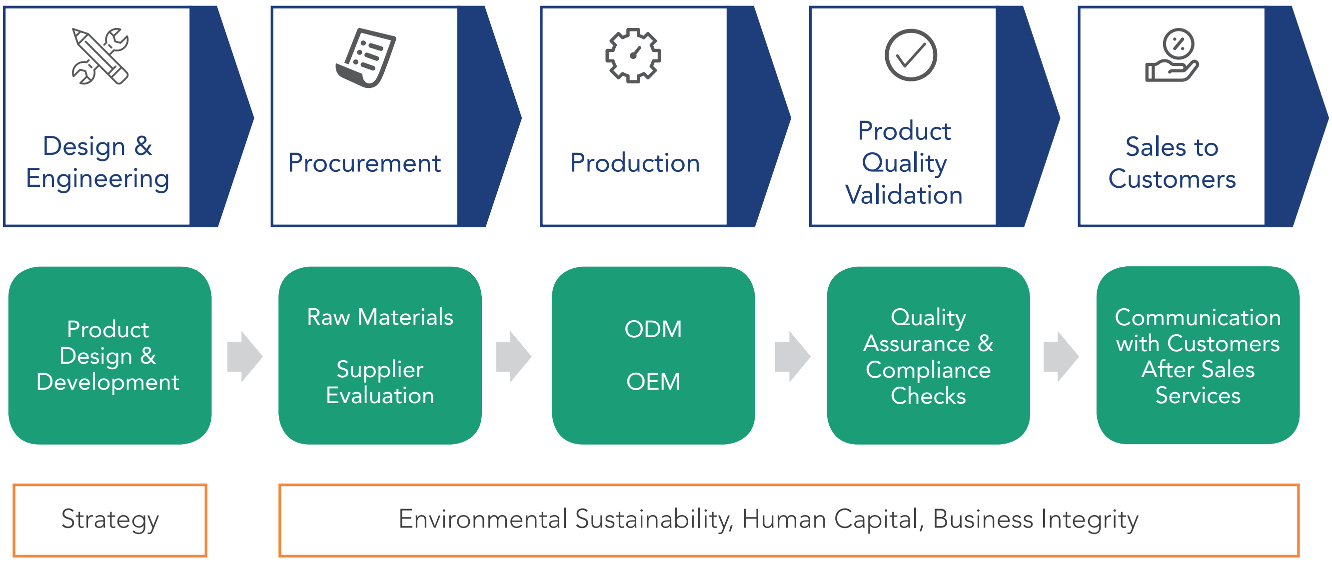
SUSTAINABILITY REPORT

ENVIRONMENT *(CONTINUED)*

Environmental factors considered during evaluation include:

- Checking that suppliers have obtained environmental certifications (such as HSPM QC080000);
- Equipment used in manufacturing are certified to be environmentally friendly;
- All raw materials used are within environmental requirements;
- Policies and procedures have been established to guide employees in the event of environmental contamination; and
- Products are labelled in accordance with environmental requirements.

In addition, all agreements signed with suppliers include an environmental clause, addressing the various environmental specifications determined by Plastoform, which suppliers have to comply with. 308-1



SOCIAL

WHAT WE DID IN 2017

- Programs addressing health & safety and relevant knowledge & skills for all employees have been introduced.
- All new hires receive training pertaining to health and safety.
- Temperature and air quality of the production environment were tested and certified to be within the approved range according to the requirements set out under the《中国人民共和国职业病防治法》and《工作场所职业卫生监督管理规定》.
- A health check-up was conducted for all employees in May 2017 and no employees have been diagnosed with illnesses resulting from unsuitable working conditions.
- A fire safety exercise was conducted in May and November 2017 to familiarize all employees with fire-fighting and basic first-aid techniques.
- A safety manual was formalized in December 2017 to address the prevention of, and response to, chemical fires.

WHAT WE PLAN TO DO

- Attain an accident rate of zero.
- Provide continuous on-the-job trainings to all employees.
- Align employee incentives to performance indicators.
- Continue to conduct annual health-checkups for employees.
- Schedule periodic laboratory checks on water samples to ensure the safety of water consumed by employees within the production area.
- Conduct biannual fire safety and equipment refresher trainings, which have been scheduled in May and November 2018 for the upcoming year.

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

Plastoform employed 621 individuals as at December 2017. While there is no employee union established, we firmly believe in equal employment opportunities for all, regardless of nationality, gender or age. Discrimination of any kind, be it by nationality, gender, religious beliefs, age or ethnicity, is strictly not tolerated at Plastoform. *102-41, 405-1*

PARENTAL LEAVE

Plastoform provides employees with a range of benefits that may include vacation leave entitlements, parental leave and medical benefits.

Eligible female employees are entitled to paid maternity leave of 10 weeks in Hong Kong; and 178 days in Shenzhen. We also adhere to the relevant social security contribution and pension plan requirements in Hong Kong and Shenzhen. *401-3*

COMPLIANCE

There was no incidence of discrimination raised by our employees in 2017; and Plastoform is not aware of any violations of laws and regulations relating to the economic and social aspects in 2017. *406-1 419-1*

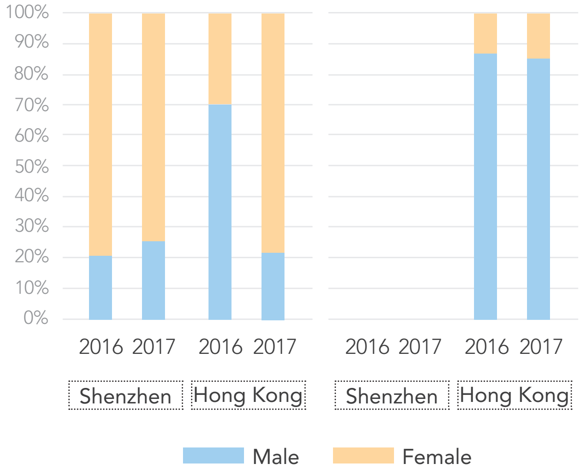
SUSTAINABILITY REPORT

SOCIAL *(CONTINUED)*

DIVERSITY OF GOVERNANCE BODIES & EMPLOYEES *102-8 405-1*

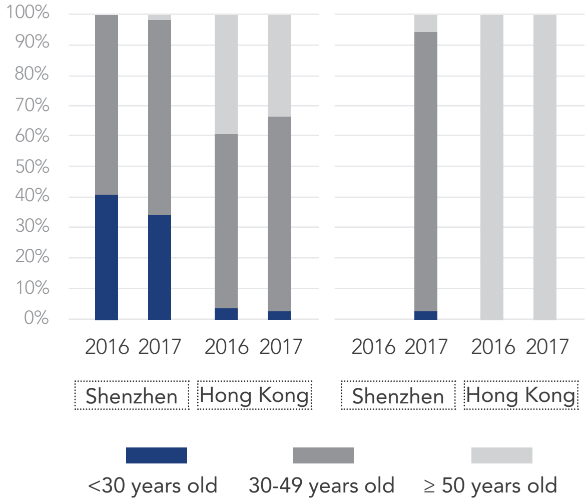
Total Employees by Gender (%)

Individuals in Governance by Gender (%)



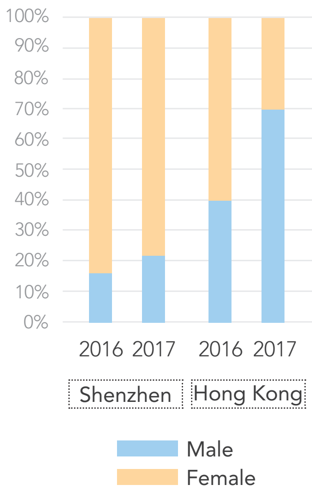
Total Employees by Age Group (%)

Individuals in Governance by Age Group (%)

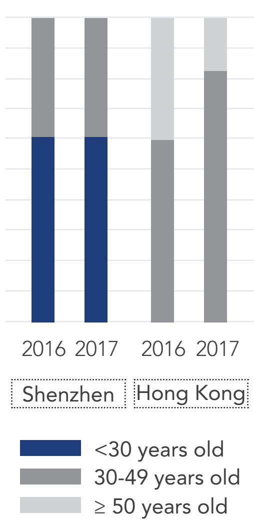


NEW EMPLOYEE HIRES *102-8 401-1*

New Hires by Gender (%)

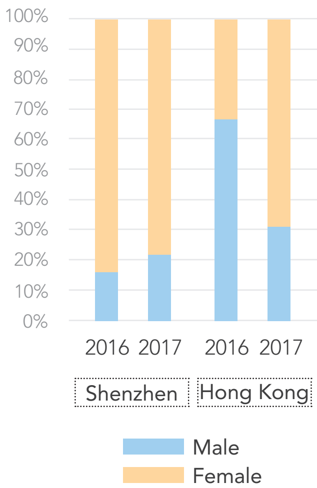


Total Employees by Age Group (%)



EMPLOYEE TURNOVER *102-8 401-1*

Employee Turnover by Gender (%)

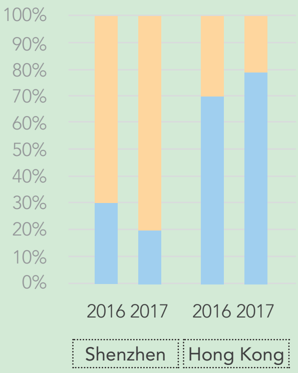


Total Employees by Age Group (%)

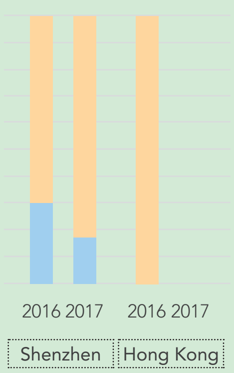
SOCIAL *(CONTINUED)*

PARENTAL LEAVE *102-8 401-3*

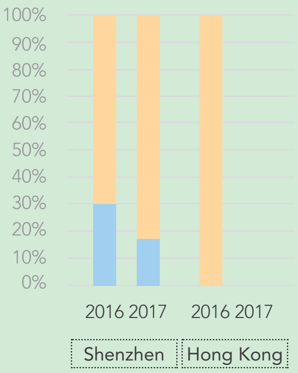
Total Employees Entitled to Parental Leave by Gender (%)



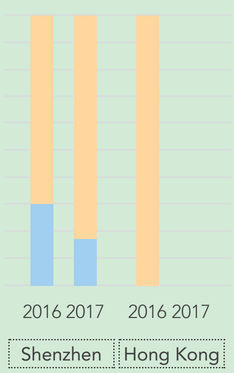
Total Employees that Took Parental Leave by Gender (%)



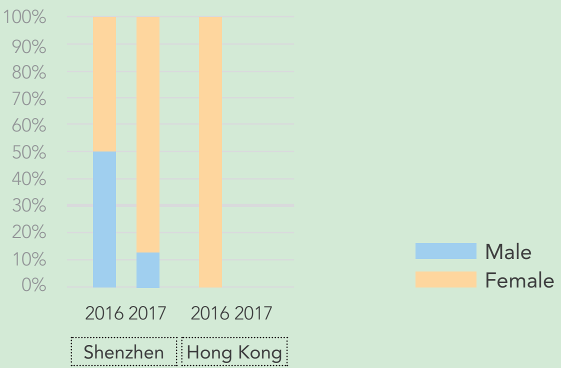
Total Employees that Returned to Work after Parental Leave ended, by Gender (%)



Total Employees that Returned to Work after Parental Leave and Remained Emloyed after 12 Months, by Gender (%)



Retention Rate of Employee that Took Parental Leaves, by Gender (%)



COMMUNICATION ON ANTI-CORRUPTION

Plastoform considers it a priority to ensure that all employees understand the rules of conduct for which they are accountable, in accordance with the laws and regulations of the countries in which the Group operates, and our own Group policies.

The Company's Employee Handbook sets out the principles of business conduct expected from all employees. It provides the Group's anti-bribery stance and position on gifts and hospitality, loans and dealings with business partners, and requires all employees of the Group to avoid any conflict between their interests and interests of the Group in dealing with suppliers, customers and other third parties.

Notices stating anti-corruption practices are placed noticeably around the office, clearly indicating whistle-blowing channels. To further enhance transparency of dealings by employees and to facilitate a channel for any violations to be reported, a "whistle-blowing" clause has also been included in contracts with suppliers. *205-2*

No incidence of corruption involving our employees or business partners was reported in 2017. *205-3*

SUSTAINABILITY REPORT

SOCIAL *(CONTINUED)*

COMPLIANCE ON HEALTH AND SAFETY OF PRODUCTS

The Group subscribes to best practices and complies with all relevant legislations and requirements pertaining to the health and safety impacts of products and services. All delivered products are fully compliant with relevant standards from the International Organisation for Standardisation, the Swedish Standards Institute and the TÜV Rheinland of North America.

Plastoform is not aware of any violations of laws and regulations to the provision, use, health and safety of our products and services in 2017. *416-2*

ACCIDENT FREQUENCY RATE

Plastoform is committed to ensuring the health and safety of our employees and has in employment a safety supervisor overseeing health and safety issues of employees. The safety supervisor is responsible for identifying and addressing potential operational risks, investigating accidents, as well as providing safety talks and discussions with employees. In addition, our workplace safety is underpinned by legislative requirements and industry safety standards such as the 《GB/T 28001-2011 职业健康安全管理体系》. *403-2*

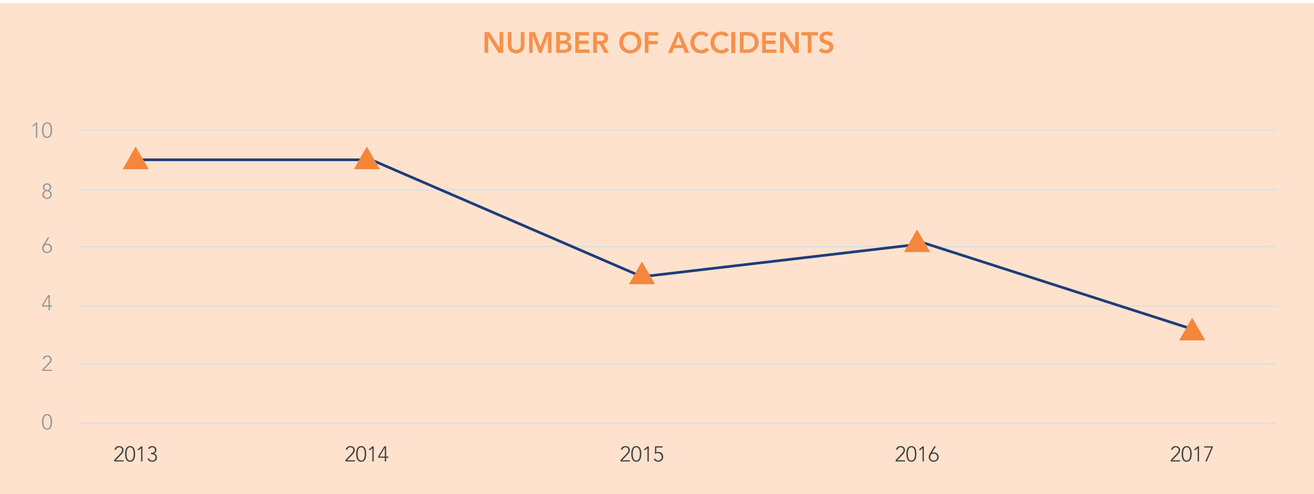
The 2017 accident rate is the lowest in 5 years, reflecting the effectiveness of the health and safety trainings conducted for employees.

OCCUPATIONAL HEALTH HAZARDS

The Group recognises the potential risks involved in daily operations and has addressed this concern by engaging an independent third-party consultant to perform an evaluation on employee health. On 16 August 2017, the consultant evaluated the effects of chemicals (tin dioxide and benzene) and noise pollution on the health of the production staff.

Results of the evaluation performed by the independent consultant showed that concentration of airborne chemicals utilized during production were within the approved range of the relevant regulations. However, the noise pollution generated by the machines of 91.1 – 99.5 decibels, exceeded the regulatory limit of 85 decibels. We recognize this potential health hazard and will reduce the noise generated by decreasing the number of machines operating concurrently.

Further, annual health check-ups will continue to be provided to monitor the health of employees to ensure their well-being. *403-3*



GRI INDEX: CORE OPTION *102-55*

GRI Indicator	Disclosure	Report Sections	Page Reference
GRI 102: GENERAL			
Organizational Profile			
GRI 102-1	Name of the organization	Corporate Profile	Corporate Profile
GRI 102-2	Activities, brands, products, and services		
GRI 102-3	Location of headquarters	Corporate Information	1
GRI 102-4	Location of operations		
GRI 102-5	Ownership and legal form		
GRI 102-6	Markets served	Financial Highlights	7
GRI 102-7	Scale of the organization	Social	17-19
GRI 102-8	Information on employees and other workers		
GRI 102-9	Supply chain	Environment	15-16
GRI 102-10	Significant changes to the organization and its supply chain	Environment	15-16
GRI 102-11	Precautionary Principle or approach	Our Approach to Sustainability	11-13
GRI 102-12	External initiatives	Social	20
GRI 102-13	Membership of associations	Not Applicable	-
Strategy			
GRI 102-14	Statement from senior decision-maker	Board Statement	9-10
Ethics and Integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	Corporate Governance	25-39
Governance			
GRI 102-18	Governance structure	Corporate Governance	25-39

SUSTAINABILITY REPORT

GRI INDEX: CORE OPTION *102-55*

GRI Indicator	Disclosure	Report Sections	Page Reference
Stakeholder Engagement			
GRI 102-40	List of stakeholder groups	Our Approach to Sustainability	12
GRI 102-41	Collective bargaining agreements	Social	17
GRI 102-42	Identifying and selecting stakeholders	Our Approach to Sustainability	11-13
GRI 102-43	Approach to stakeholder engagement		
GRI 102-44	Key topics and concerns raised		
Stakeholder Engagement			
GRI 102-45	Entities included in the consolidated financial statements	Our Approach to Sustainability	11-13
GRI 102-46	Defining report content and topic boundaries		
GRI 102-47	List of material topics		
GRI 102-48	Restatements of information		
GRI 102-49	Changes in reporting		
GRI 102-50	Reporting period		
GRI 102-51	Date of most recent report		
GRI 102-52	Reporting cycle		
GRI 102-53	Contact point for questions regarding the report		
GRI 102-54	Claims of reporting in accordance with the GRI Standards		
GRI 102-55	GRI content index	GRI Index	21-24
GRI 102-56	External assurance	Our Approach to Sustainability	11

GRI INDEX: CORE OPTION *102-55*

GRI Indicator	Disclosure	Report Sections	Page Reference
GRI 103: MANAGEMENT APPROACH			
GRI 103-1	Explanation of the material topic and its boundary	Our Approach to Sustainability	11-13
GRI 103-2	The management approach and its components		
GRI 103-3	Evaluation of the management approach		
SPECIFIC STANDARD DISCLOSURES			
Economic			
Economic Performance			
GRI 201-1	Direct Economic Value Generated and Distributed	Financial Highlights	7
Anti-Corruption			
GRI 205-2	Communication and Training on Anti-Corruption policies and procedures	Social	19
GRI 205-3	Confirmed Incidents of Corruption and Actions taken		
Environment			
Energy			
GRI 302-1	Energy Consumption within the Organization	Environment	14
GRI 302-4	Reduction of Energy Consumption		
Effluents and Waste			
GRI 306-2	Waste by Type and Disposal method	Environment	15
Environment Compliance			
GRI 307-1	Non-compliance with environmental laws and regulations	Environment	15
Supplier Environmental Assessment			
GRI 308-1	New Suppliers that were Screened using Environmental Criteria	Environment	15-16

SUSTAINABILITY REPORT

GRI INDEX: CORE OPTION *102-55*

GRI Indicator	Disclosure	Report Sections	Page Reference
SPECIFIC STANDARD DISCLOSURES			
Social			
Employment			
GRI 401-1	New employee hires and employee turnover	Social	17-19
GRI 401-3	Parental leave		
Occupational Health and Safety			
GRI 403-2	Type of Injury and Rates of Injury, Occupational diseases, Lost days, and Absenteeism, and number of Work-Related Fatalities	Social	20
GRI 403-3	Workers with High Incidence or High Risk of Diseases related to their occupation		
Diversity and Equal Opportunity			
GRI 405-1	Diversity of governance bodies and employees	Social	17-19
Non-Discrimination			
GRI 406-1	Incidents of discrimination and corrective actions taken	Social	17
Customer Health and Safety			
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Social	20
Socioeconomic Compliance			
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Social	17

CORPORATE GOVERNANCE

The Board of Directors (the "Board") and Management of Plastoform Holdings Limited (the "Company") are committed to setting and maintaining high standards of corporate governance within the Company and its subsidiaries (the "Group").

The Board and Management are committed to use its best endeavors to align the governance framework with the recommendations of the Code of Corporate Governance 2012 (the "Code").

The Company confirms that it has adhered to the principles and guidelines as set out in the Code, where applicable, and has explained areas of non-compliance.

BOARD MATTERS

Principle 1: Effective Board to Lead and Control of the Group.

The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company and the Group. Apart from its statutory duties and responsibilities, the Board is primarily responsible for:

a) overseeing the management and affairs of the Group;

b) approving the Group's corporate and strategic directions;

c) regularly reviewing business plans of the Group and the Company;

d) reviewing and monitoring financial performance of the Group and the Company;

e) establishing and maintaining a sound system of internal controls, covering not only financial controls but also operational and compliance controls;

f) reviewing the adequacy and improvement of its internal control systems; and

g) consider sustainability issues, e.g. environmental and social factors, as part of the Group's strategic formulation.

The Group has in place internal guidelines on matters which are specifically reserved for Board decision include (but not limited to) the following:

- the financial results and corporate strategies of the Group;
- the appointment of directors of the Company ("Directors") and key management personnel;
- material acquisitions and disposal of assets;
- corporate or financial restructuring;
- policies relating to financial matters such as risk management and internal control and compliance;
- shares issuance and declaration of dividends; and
- conflict of interest for a substantial shareholder or a Director.

CORPORATE GOVERNANCE

Under these guidelines, Board approval is required for any matters which is likely to have a material impact on the Group's operations and financial positions as well as those matters not in the ordinary course of business and transactions that exceed certain financial thresholds.

The Board is supported by the Board Committees including, the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"), which have been delegated with specific authority. Each Board Committee functions within its own defined terms of reference and procedures, which are subject to review on a regular basis. The Chairman of the respective Board Committees reports to the Board on the outcome of the Board Committees meetings.

The Board has scheduled to meet at least four times a year and, as and when warranted by particular circumstances between the scheduled meetings. The Company's Bye-Laws 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.

Details of Directors' attendance at the Board and Board Committee meetings held in FY2017, are summarized in the table below:

Meeting of	**Board**	**AC**	**NC**	**RC**
Total held in FY2017	**4**	**4**	**1**	**2**
Tse Kin Man	4	N/A	N/A	N/A
Chiu Kwong Fai	4	N/A	N/A	N/A
Tan Tien Hin, Winston	4	4	1	2
Fong Hean Chuan	4	4	1	2
Khor Peng Soon	4	4	1	2

N/A – not applicable

No new Director was appointed to the Board for FY2017. Newly appointed Director(s), 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 Director(s) who has/have no prior experience as Director(s) of a listed company in Singapore.

Letter of appointment setting out Directors' duties, obligations and the terms of appointment, will be issued to new appointee(s) to the Board.

As part of their continuing education, the Board may attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards and insider trading, to keep themselves apprised and updated on the latest corporate, regulatory, legal and other requirements, at the Company's expenses. The Board will be provided from time to time updates on changes in the relevant new laws, other statutory and regulatory requirements, to enable them to make well-informed decisions and discharge their duties responsibly.

For FY2017, the Company's external auditors had briefed the AC members on compliance with financial reporting standards and other regulatory matters.

Board Composition and Balance

Principle 2: Strong and independent element on the Board.

As at the date of this report, the Board comprises five Directors, two of whom are Non-Executive and Independent Directors.

Non-Executive Director:

Tan Tien Hin, Winston	Chairman

Executive Directors:

Tse Kin Man	Chief Executive Officer ("CEO")
Chiu Kwong Fai	Deputy CEO

Independent Directors:

Khor Peng Soon
Fong Hean Chuan

Subsequent to the financial year end, the Company had the following changes to the composition of Board members –

1) Mr. Tan Tien Hin, Winston appointed as Non-Executive Chairman;

2) Mr. Tse Kin Man relinquished the role as Executive Chairman and assume the role of CEO; and

3) Mr. Chiu Kwong Fai relinquished the role as Deputy Executive Chairman and assume the role of Deputy CEO.

The Board, taking into account the scope and nature of the operations of the Group, is of the view that its current composition is appropriate and decide to deviate from complying with the requirements of having at least half of the Board to be independent. The Directors bring with them a wide spectrum of industry skills, experience, management expertise and objective perspective to effectively lead and direct the Group.

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

Mr. Khor Peng Soon had served on the Board beyond 9 years since the date of his first appointment on 21 August 2006. The Board concurred with the NC and is of the view that the length of service has not compromised the objectivity of Mr. Khor and his commitment and ability to discharge his duty.

The rigorous review and the factors taken into consideration by the NC and the Board to assess and determine the independence of Mr. Khor include –

(i) His contributions in terms of professionalism, integrity, objectively and ability to exercise independence of judgement in his deliberation in the interest of the Company/Group;

(ii) He has no relationship with the Company's related corporations, substantial shareholders, officers and Management that could impair his fair judgement;

CORPORATE GOVERNANCE

(iii) He, through his years of involvement with the Company, has gained valuable insight and understanding of the Group's businesses and together with his diverse experience and expertise, has contributed effectively as Independent Director by providing impartial and autonomous views at all times; and

(iv) His own declaration on his continuation to express his viewpoints, debate issues, scrutinize objectively and challenge Management's proposals on business activities as well as active participation on transactions involving conflicts of interests and other complexities.

The Board is of the view that Mr. Khor is considered independent and has the ability to continue exercising independent judgement in the best interest of the Company in discharging his duty as a Director of the Company, despite his extended tenure of office. Mr. Khor was abstained from deliberations in respect of his own rigorous review of independence.

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 businesses. When challenging Management's proposals or, decisions, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

Non-Executive Directors communicate with each other without the presence of Management as and when the need arises. The Non-Executive Directors had a meeting without the presence of Management during the 3Q2017 meeting.

The profile of Board members is set out on page 4 and 5 of the Annual Report.

Chairman and Chief Executive Officer

Principle 3: Division of responsibilities and balance of power

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the Executives responsible for managing the Group's/Company's businesses and no one individual should represent a considerable concentration of power.

The Chairman of the Board and the CEO are two separate persons to ensure an appropriate balance of power, increased accountability and greater capacity for independent decision making.

Mr. Tan Tien Hin Winston, the Non-Executive Chairman of the Company, is responsible for providing leadership to the Board, encouraging proactive participation and constructive discussions between Board members and for enhancing the effectiveness of the Board and Board Committees. He schedules meetings as and when necessary, sets the Board agenda in consultation with Management and the Company Secretary and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues.

Mr. Tse Kin Man, the CEO, is responsible for the development of overall corporate strategies as well as marketing and product development of the Group and will be assisted by Mr. Chiu Kwong Fai, the Deputy CEO who is also responsible for direct leadership for Operations Division, Supply Chain Division and Product Development & Engineering Division.

As the Non-Executive Chairman and CEO are not related to each other and each performs separate functions, there is an appropriate balance of power and authority for independent decision-making to permeate within the Board.

Mr. Khor Peng Soon, the Lead Independent Director of the Company, is available to address shareholders' concerns on issues that has not been satisfactory resolved or cannot be appropriately dealt with by the Chairman, CEO and/or the Group Financial Controller.

Board Membership

Principle 4: Formal and transparent process for the appointment of new Directors to the Board.

The NC comprises the following members:

Fong Hean Chuan (Chairman)
Khor Peng Soon
Tan Tien Hin, Winston

A majority of the members of the NC, including the Chairman are Non-Executive and Independent Directors.

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

Under its terms of reference, the duties of the NC include the following:

- reviews and makes recommendations to the Board on all new appointments;
- reviews the Board structure, size, balance and composition;
- determines the independence of the Directors;
- recommends the nomination of Directors who are retiring by rotation to be put forward for re-election;
- reviews Board succession plans for Directors, in particular, the Chairman and Chief Executive Officer;
- reviews training and professional development programs for the Board;
- assesses the effectiveness of the Board as a whole and Board Committee and for assessing the contribution of each of the Directors to the effectiveness of the Board; and
- assesses the commitment of each Director to the Company, in relation to multiple directorships held by Directors.

The NC would evaluate the needs of the Board to determine the relevant competencies required. The Company has in place formal and written procedure for the selection and appointment of Directors. Potential candidates are sourced from the Board's and Management's network of contacts and are identified based on the needs and the relevant expertise required by the Company. The Company may appoint recruitment consultants to assist in the selection and evaluation process of the appointment requires specific skill set or industry specialization. The NC, having assessed each candidate based on the essential and desirable competencies for a particular appointment, will nominate the most suitable candidate for appointment to the Board.

In accordance with the Company's Bye-Laws, every Director is required to retire by rotation at least once in every three years and, may offer himself for re-election. Newly appointed Directors will have to retire at the next Annual General Meeting ("AGM") following their appointments.

CORPORATE GOVERNANCE

In recommending a Director for re-appointment to the Board, the NC considers, amongst other things, his attendance and participation at Board and Board committees meetings and the time and efforts accorded to the Group's business and affairs.

The Board supported the NC's recommendation on the nomination of Mr. Fong Hean Chuan for re-appointment at the forthcoming AGM of the Company. Mr. Fong had informed the Board that he will not be seeking for re-appointment at the forthcoming AGM of the Company and will accordingly retire from office as a Director of the Company after the conclusion of the AGM.

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 serve on not more than 7 boards of listed companies. Confirmations have been obtained from the Non-Executive Directors that despite their other Board representations, they are able to discharge their responsibilities as Directors of the Company.

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 Directors.

The NC had reviewed the independence of the Board members with reference to the guidelines set out in the Code and, has determined that Mr. Khor Peng Soon and Mr. Fong Hean Chuan to be independent.

Board Performance

Principle 5: ***Formal assessment of the effectiveness of the Board and the contribution by each Director to the effectiveness of the Board.***

Performance evaluation was conducted for the Board as a whole and each of the Board Committees (namely the AC, NC and RC) in FY2017 for assessing the contribution by the Chairman and each of the Board Committees' members to the effectiveness of the Board. The evaluation exercise reviews the procedures, processes and effectiveness of the Board and Board Committees.

The performance evaluation for FY2017 was conducted by having all Directors to complete questionnaire. The NC discussed the results of the performance evaluation and appropriate actions with the Chairman of the Board and of each Board Committee. No external facilitator had been engaged by the Board for this purpose.

The evaluation exercise for the Board and Board Committees were carried out in the financial year under review whereby process entailed the completion of questionnaires covering the following areas –

i) Board and Board Committees processes and procedures;

ii) Access to information;

iii) Board and Board Committees accountability; and

iv) Size and composition.

CORPORATE GOVERNANCE

The following Directors' performance criterions were assessed by the NC during the annual Board performance evaluation –

i) Interactive skills;

ii) Knowledge including professional expertise; and

iii) Duties including attendance at meetings, meetings preparation, participation and performance of specific assignments.

In view of the size of the current operation of the Group, the NC is of the view that the current performance evaluation carried out for the Board and Board Committees as a whole is satisfactory and sufficient. The NC reviewed from time to time the time commitments and efforts contributed by each of the Directors to the affairs of the Company/Group through their participation at Board and Board Committee meetings. There is no necessity to carry out an evaluation of each individual Director for the time being. The NC will continue to assess the necessity to carry out the performance evaluation for each individual Director in future.

Access to Information

Principle 6: Board members should be provided with complete, adequate and timely information

All Directors have independent access to the Group's Senior Management and the Company Secretary.

To ensure that the Board is equipped to discharge its responsibilities, Management provides the Board with complete, adequate and timely information prior to Board meetings and on an ongoing basis. To keep the Board apprised of the Group's performance and developments, Management provides Directors with management accounts on a monthly basis. Management also provides updates on the Group's businesses, prospects and other developments impacting the Group, at scheduled meetings and, whenever circumstances warrant. Such reports enable the Board to be kept abreast of key issues and developments, as well as opportunities and challenges, to the Group and the industry.

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

Subject to the Board's approval, Directors, whether as a group or individually, may seek and obtain independent professional advice, at the Company's expense, to assist them with their duties.

Remuneration Committee ("RC")

Principle 7: Formal and transparent procedure for determining Directors' remuneration packages.

The RC comprises all Non-Executive Directors. A majority of the RC, including the Chairman are independent.

Fong Hean Chuan (Chairman)
Khor Peng Soon
Tan Tien Hin, Winston

CORPORATE GOVERNANCE

The RC reviews and recommends to the Board (i) the remuneration packages of all Executive Directors, key management personnel of the Group and employees related to directors or controlling shareholders of the Group, (ii) Directors' fees for Non-Executive Directors, which are subject to shareholders' approval at the AGM, and (iii) reviews and recommends to the Board the terms of renewal of service contracts of the Executive Directors. No Director decides his own remuneration.

The scope of the RC's review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, and benefits-in-kind. 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 personnel. 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.

Executive Directors are on service contracts which were renewed for a further 3 years with effect from September 2016.

The RC reviews the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's service contracts, to ensure that such contract contain fair and reasonable termination clauses which are not overly generous. The Company currently does not have any contractual provisions allowing the Company to reclaim incentives from Executive Directors and key management personnel in exceptional cases of wrong doings. The Board is of the view that as the Group pays bonuses and incentives on the actual results/performance of the Group/Company (and not on possible future results) and results that have actually been delivered by its Executive Directors and key management personnel, "claw back" provisions in employment contracts may not be relevant or appropriate.

There was no bonus paid to the Executive Directors and key management personnel for FY2017.

No external facilitator had been engaged by the Board for advice and remuneration matters for FY2017. However, the RC has access to professional advice, if required.

Level and Mix of Remuneration

Principle 8: Appropriate level and mix of remuneration.

The Group offers a comprehensive and competitive remuneration and benefits package to all its employees, which is linked to individual performance of the employee and performance of the Group.

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$160,000 for the year ending 31 December 2018 to be paid monthly in arrears. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

DISCLOSURE ON REMUNERATION

Principle 9: ***Level and mix of remuneration Directors and Key Executives.***

A breakdown of level and mix of remuneration paid to each Director and key management personnel of the Company for FY2017, is set out within remuneration bands below:

	Salary %	Bonus %	Benefits in Kind %	Fees %	Total %
Directors and CEO					
S$250,001 to S$500,000 per annum					
Tse Kin Man	98.71	–	1.29	–	100
Chiu Kwong Fai	98.83	–	1.17	–	100
Below S$250,000 per annum					
Tan Tien Hin, Winston	0	0	0	100	100
Khor Peng Soon	0	0	0	100	100
Fong Hean Chuan	0	0	0	100	100
Key Management Personnel					
Below S$250,000 per annum					
Chua Jessica Liao Chien (note 1)	98.6	–	1.4	–	100
Liu Wai Man	97.2	–	2.8	–	100

Note: -

(1) Ms. Jessica Chua resigned on 7 July 2017. The disclosure above is based on the actual remuneration paid to her for the period that she had served in that capacity during FY2017.

The Board, taking into consideration the competitive business environment and the confidentiality & sensitivity of remuneration matters, decided to deviate from complying with the recommendation for not disclosing the exact details of the remuneration of each individual Director, CEO and key management personnel. The Company has, however, disclosed the remuneration of the Directors and CEO in bands of S$250,000.

The annual aggregate remuneration paid to the key management personnel (who are not Directors of the Company) is approximately S$329,413.

During the year under review, no employee whose remuneration exceeded S$50,000 was related to the Directors, CEO or substantial shareholders of the Company.

With the expiry of Plastoform Employee Share Option Scheme on 20 August 2016, the Group only has Plastoform Performance Share Plan ("PSP") which is for eligible employees, including Directors of the Group. Details of PSP awards are disclosed in the Directors' Statement on page 42 of Annual Report. For FY2017, no share awards was granted to the eligible employees under the PSP.

CORPORATE GOVERNANCE

Accountability

Principle 10: The Board is accountable to shareholders while Management is accountable to the Board.

The Board provides shareholders with detailed analysis, explanation and assessment of the Group's financial performance, position and prospects on a quarterly basis. The Board approves and authorizes the release of the Company's quarterly and full-year results, as well as disclosable material information in relation to the Group, via SGXnet, to Singapore Exchange Securities Trading Limited ("SGX-ST") and the investing public.

Management currently provides the Board with management accounts of the Group's performance, position and prospects on a monthly basis. This is supplemented by updates on matters affecting the financial performance, business or prospects of the Group, as and when such event occurs.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk.

The Board is responsible for ensuring that a sound internal control system is maintained. The Board recognizes the need to put in place a system of internal controls within the Group to manage risks and safeguard the Group's assets and shareholders' interests. It is acknowledged that no cost effective internal control system will preclude any errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Management regularly reviews the Group's business and operational activities to identify significant risks and to take appropriate measures to control and mitigate these risks within the Group's policies and strategies.

The external auditors carried out a review on key internal controls relevant to the Company's preparation and fair presentation of the financial statements during the course of audit. The AC and the Board reviewed the adequacy and effectiveness of the Group's internal controls and risk management systems, relying on reports from external auditors and internal auditors. Any significant internal control weaknesses and non-compliances that are highlighted during the audit together with recommendations by the external auditors and internal auditors are reported to the AC. The AC will follow up on the actions taken by Management in response to the recommendations made.

Based on the Group's policies and procedures as well as risk management framework in place within the Group, the quarterly assurance confirmation by Management and the work performed by the external auditors and internal auditors, the AC and the Board are of the view that the risk management system and internal controls in place within the Group are adequate and effective in addressing the financial, operational, compliance and information technology risks to which the Company is exposed in its current business environment for FY2017.

The Board has received assurance from the CEO and the Financial Controller that:

(i) The Company's financial records have been properly maintained and the financial statements gave a true and fair view, of the financial condition and operational results of the Company; and

(ii) Regarding the effectiveness of risk management system and internal control systems in place within the Group.

Audit Committee ("AC")

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises three Non-Executive Directors, a majority (including the Chairman) are Non-Executive and Independent Directors. The members of the AC are:

Khor Peng Soon (Chairman)
Fong Hean Chuan
Tan Tien Hin, Winston

All AC members bring with them invaluable managerial and professional expertise in the manufacturing, financial and business management spheres. The Board is of the view that the AC has the relevant and recent financial management expertise and experience to discharge its responsibilities properly. None of the AC members was a former partner or director of the Company's existing auditing firm or auditing corporation within the last 12 months.

The AC meets at least four times a year and, as and when deemed appropriate to review:

- the audit plan of the Company's external auditors and the internal auditor, including the results of auditors' review and evaluation of the Group's system of internal controls;
- the external auditors' reports;
- the co-operation given by the Company's officers to the external auditors;
- the financial statements of the Company before submission to the Board and shareholders;
- the effectiveness and adequacy of internal accounting and financial control procedures;
- review the effectiveness and adequacy of the Company's internal controls;
- review arrangements by which staff of the Group may in confidence, raise concerns about possible improprieties in financial reporting or, other matters;
- evaluate the independence and performance of the external auditors and to consider their appointment and re-appointment;
- review non-audit services provided by the external auditors; and
- approve interested person transactions, if any.

The AC has explicit authority to investigate any matters within its terms of reference, full access to and the co-operation of Management, full discretion to invite any Directors or Executive Officers to attend its meetings and has been given adequate resources to enable it to discharge its functions.

The Company has in place a Whistle-Blowing Policy whereby employees and any other persons who have dealings with the Group may, in confidence, report improprieties which may cause financial and non-financial loss or, damage to the Group.

CORPORATE GOVERNANCE

The AC had met with the external auditors and internal auditors without the presence of Management and had established that the external auditors and internal auditors have had the full co-operation of Management in carrying out the audit for FY2017.

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

Audit fees paid/payable to FKT, the external auditors of the Company amounted to S$150,000 for the financial year ended 31 December 2017. Pursuant to Rule 1204(6)(a), there is no non-audit fees paid to the auditor. Accordingly, the AC is satisfied that the independence and objectivity of auditors have not been affected, as confirmed by FKT.

During the financial year, the AC reviewed the quarterly and full-year 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 risk management and 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 changes to accounting standards and issues which have a direct impact on financial statements, with updates provided by external auditors.

Internal Audit

Principle 13: Internal Audit function

The Board recognizes the importance of Internal Audit. The Internal Auditor ("IA") reports directly to the Chairman of the AC on internal audit matters. The role of IA is to support the AC in ensuring that the Group maintains a sound system of internal controls and risk management processes by monitoring and assessing the effectiveness of key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigations as directed by the AC.

Shinewing Risk Services Limited, who is independent of the Group's business activities, has been appointed as the Company's IA. Risk based audit approach is adopted to efficiently and effectively focus the nature, timing and extent of audit procedures to those areas that have the most potential for causing material internal control weakness. The IA prepares the audit plan & schedules, carries out the field work and then discuss the findings and corrective/preventive actions with management team. Summary of findings with management actions will be submitted to the AC for review.

The AC is satisfied that the Company's IA is staffed with suitably qualified and experienced professionals with the relevant experience and has carried out its function according to the internal controls – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treasury Commission.

The AC met with the IA to review the adequacy and effectiveness of the internal audit function for FY2017.

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

CORPORATE GOVERNANCE

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably.

The Company recognizes the importance of treating all shareholders fairly and equitably, as well as the responsibility to facilitate the exercise of shareholders' rights. All registered shareholders are given opportunity to participate in and vote at the general meetings of the Company.

Shareholders are informed of changes in the Company's businesses that are likely to materially affect the value of the Company's shares.

Communication with Shareholders

Principle 15: Regular, effective and fair communication with shareholders.

The Board believes in timely communication of information to shareholders and the investing public. It is the Board's policy that all shareholders and the investing public should be equally and timely informed of all major developments that impact the Group and the Company.

The Company adopts an open and non-discriminatory communication program to promote regular, effective and fair communication with the shareholders.

The Company endeavors to maintain regular and effective communication with shareholders through timely and comprehensive announcements. The Company does not practice selective disclosure. It has adopted a policy of making all necessary disclosures in public announcements via SGXNET.

The annual report is sent to all shareholders on a timely basis and notices of all general meetings are advertised in the newspaper and announced via SGXNET.

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. The Company will communicate any dividend payouts to shareholders via announcements released to SGX-ST via SGXNet.

The Board has not declared or recommended any dividend for FY2017, as the Company has to conserve funds for working capital needs.

The Company's website serves as an important resource of information for investors. It contains information on the Group's products, corporate profile, Board of Directors, certifications, new releases as well as investor relation's contact.

CORPORATE GOVERNANCE

Greater Shareholder Participation

Principle 16: Encourage greater shareholder participation at AGMs

At general meetings, shareholders are given opportunity to air their views and direct questions to the Board on any matter relating the Group's business and operations.

The Company's Bye-Laws allow shareholders to appoint proxies to attend and vote on their behalf at general meetings. The Chairmen of the AC, RC and NC and the external auditors will be available at the AGM to attend to shareholders' queries relating to the resolutions before voting each of the resolution. All resolutions are to put to vote by poll, and the detailed results of the general meeting (including the number of votes cast for and against each resolution at the meeting) will be announced via SGXnet after the conclusion of the meeting. Minutes of general meetings will be made available to shareholders upon request. Resolutions are, as far as possible, structured separately and may be voted on independently.

Securities Transactions

The Group has adopted a Code of Best Practices for Securities Transactions (the "Securities Code") which sets out the Group's policy on dealings in securities of the Company and implications of Insider Trading. In line with our Securities Code, Directors, key officers and other employees of the Group, who have access to price-sensitive and confidential information are not permitted to deal in securities of the Company during the periods commencing at least 2 weeks before the announcement of the Group's quarterly results and one month before the announcement of the Group's full-year results and, ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group. In addition, the Directors and key officers of the Group are discouraged from dealings in the Company's securities on short-term consideration.

CORPORATE GOVERNANCE

Interested Person Transactions (IPTs)

The AC has reviewed the rationale and terms of the Group's IPTs and is of the view that the IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Save as disclosed in the consolidated financial statement, the IPTs in FY2017 are disclosed below -

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Jetform International Limited – office rental expenses	99,760	Not applicable *
Corporate Brokers International Pte Ltd – retainer fee	36,000	Not applicable *

* There is no subsisting shareholders' mandate for interested person transactions.

The above IPTs were below S$100,000 and 3% of the Group's latest audited net tangible assets.

Material Contracts

Other than as disclosed above, the Group did not enter into any material contracts involving the interest of the Chief Executive Officer, Directors or controlling shareholders and no such material contracts subsisted between the end of the previous financial year and the end of the financial year.

Risk Management Policies and Processes

The Board regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.

The Group's financial risk and management is discussed under Note 23 of the Notes to the Consolidated Financial Statements on page 90 of the Annual Report.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

We submit this annual report to the members together with the audited financial statements for the financial year ended 31 December 2017 of the Company.

In our opinion,

(a) the accompanying financial statements of the Group and the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

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

Tan Tien Hin, Winston	(Non-Executive Chairman & Director)
Tse Kin Man	(Executive Director and Chief Executive Officer "CEO")
Chiu Kwong Fai	(Executive Director and Deputy CEO)
Khor Peng Soon	(Lead Independent Director)
Fong Hean Chuan	(Independent Director)

Arrangements to enable directors to acquire shares, debentures, warrants or options

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, debentures, warrants or options of the Company or of any other corporate body, other than as disclosed in this report.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

Directors' interest in shares, debentures, warrants or options

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 had any interest in the shares, debentures, warrants or options of the Company or its related corporations, except as follows:

	Number of ordinary shares					
	Holdings registered in the name of director or nominee			Holdings in which director is deemed to have an interest		
Name of director	As at 1.1.2017	**As at 31.12.2017**	**As at 21.1.2018**	As at 1.1.2017	**As at 31.12.2017**	**As at 21.1.2018**
Tse Kin Man (i)	3,000,000	**3,000,000**	**3,000,000**	11,895,750	**11,895,750**	**11,895,750**
Chiu Kwong Fai (i)	3,000,000	**3,000,000**	**3,000,000**	11,895,750	**11,895,750**	**11,895,750**
Tan Tien Hin, Winston (ii)	–	–	–	4,300,000	4,300,000	4,300,000
Khor Peng Soon	31,000	31,000	31,000	–	–	–
Fong Hean Chuan	45,000	45,000	45,000	–	–	–

(i) Tse Kin Man and Chiu Kwong Fai are deemed interested in the shares held by Konkin Limited ("Konkin") by virtue of their interest in Konkin.

(ii) Tan Tien Hin, Winston and his wife, Amy Lim Sioh Tin are deemed to be interested in the shares held by Winmark Investments Pte. Ltd. ("Winmark") by virtue of their shareholdings of 50% each in Winmark. Winmark has direct interests of 1,000 shares and deemed interested in 4,299,000 shares held by HL Bank Nominee(s) Pte Ltd.

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 other than as disclosed in the financial statements and in Notes 17 and 22 to the financial statements.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

Plastoform Performance Share Plan

The Plastoform Performance Share Plan ("PSP") was approved by the shareholders of the Company on 24 April 2014 to serve as a flexible incentive tool. The PSP is intended to further the Company's continuing efforts to reward, retain and motivate Directors and employees to achieve better performance. The PSP is an incentive plan to provide the Company with the flexibility in tailoring reward and incentive packages to suit individual participants.

The PSP is administered by the Remuneration Committee ("RC").

Subject to the absolute discretion of the RC, the following groups of participants are eligible to participate in the PSP –

(i) The Group's employees, Executive Directors and Independent Directors; and

(ii) Controlling Shareholders and their associates who meet certain criteria, provided that the participation of each Controlling Shareholder or his Associate and each grant of share awards to any of them may only be effected with the specific prior approval of independent Shareholders at a general meeting in separate resolutions.

No share awards were granted under PSP since its commencement and during the financial year under review.

Audit Committee

The Audit Committee at the end of the financial year comprises the following members:

Khor Peng Soon (Chairman)
Fong Hean Chuan
Tan Tien Hin, Winston

The Audit Committee carried out its functions in accordance with the Listing Manual of the Singapore Exchange Securities and Trading Limited ("SGX-ST Listing Manual"). The functions performed are detailed in the Report on Corporate Governance set out in the Annual Report of the Company for the financial year ended 31 December 2017.

The Audit Committee 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 directors or executive officers to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2017

Independent Auditor

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

On behalf of the Directors

TAN TIEN HIN, WINSTON
CHAIRMAN

TSE KIN MAN
DIRECTOR

Dated: 29 March 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Plastoform Holdings Limited
(Incorporated in the Bermuda with Limited Liability)

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Plastoform Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Appropriateness of going concern assumption

We draw attention to Note 2 to the financial statements which describes the material uncertainty regarding the going concern assumption of the Group and the Company. The Group's revenue has decreased significantly from HK$281.8 million in FY 2015 to HK$248.1 million in FY 2016 and HK$110.1 million in FY 2017 due to emergence of smart audio products which directly affected the demand for the Group's traditional Bluetooth speakers. The Group has reported its third consecutive year of losses of HK$47.9 million (2016: HK$7.6 million and 2015: HK$11.1 million) and reported net cash outflows from operating activities of approximately HK$14.8 million (2016: HK$11.5 million).

As at 31 December 2017, the Group and the Company has cash and bank balances of HK$39.7 million and HK$3.2 million, respectively (2016: HK$61.2 million and HK$4.8 million), and the monthly cash burn rate for the month of January 2018 and February 2018 was HK$2.5 million and HK$4.7 million, respectively. The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern. Notwithstanding these conditions, the Group has prepared the financial statements on a going concern basis as management is exploring fund raising options, including rights issue exercise, collaborations with new partners as well as diversification into a few new business segments as announced in its FY 2017 full year results announcement on 27 February 2018.

We have reviewed the 12-month cash flow projection prepared by management to monitor and manage the liquidity position of the Group. The cash flow projection is dependent on numerous parameters and assumptions made by management, which includes forecast revenue, gross profit margin, forecast operating expenses and forecast changes in working capital, as well as a revised repayment plan amounting to HK$7.3 million due from a major customer, to be proposed to the Group. Depending on the crystallisation or realisation of the multiple significant uncertainties and assumptions, the cash flow projection shows a deficiency in cash and bank balances in certain months during the forecast period ending 31 December 2018. In addition, letters of financial support from the substantial shareholders to undertake and provide the necessary financial support to the Group and the Company so that the Group and the Company are able to pay its debts as and when they fall due are being discussed. We are therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements, is appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Members of Plastoform Holdings Limited
(Incorporated in the Bermuda with Limited Liability)

Basis for Disclaimer of Opinion (Cont'd)

Appropriateness of going concern assumption (Cont'd)

If for any reason the Group and the Company are unable to continue as going concerns, several adjustments would have to be made to the accompanying financial statements. Assets may need to be realised other than in the normal ordinary course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the financial statements. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets to current assets. The accompanying financial statements do not reflect these adjustments.

Recoverability of trade receivables

As at 31 December 2017, the Group has significant concentration of credit risk as approximately 76% of the Group's trade receivables are from the Group's two largest customers. Subsequent to the balance sheet date, management has successfully negotiated and agreed to a revised repayment plan with one of the two largest customers and has since collected approximately HK$10.9 million, with the remaining balance of HK$17.6 million to be received by May 2018. In respect of the other major customer, the major customer has requested to defer the payment until end May 2018 and the total outstanding overdue balance amounted to HK$7.3 million as at the date of this report. Management has also temporarily ceased all sales made to this major customer since March 2018. No impairment loss has been recognised by the Group for the financial year ended 31 December 2017. The audit evidence is limited and we are unable to obtain sufficient appropriate evidence to ascertain the recoverability of the outstanding balances due from these major customers.

Any delay in repayments by the two largest customers and the possible loss of these two customers will further impact the Group's profit and cash flow forecast used to assess the appropriateness of going concern assumption as highlighted in the above paragraphs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of Section 90 of the Companies Act 1981 of Bermuda and 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.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's abilities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the Members of Plastoform Holdings Limited
(Incorporated in the Bermuda with Limited Liability)

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for *Public Accountants and Accounting Entities* (ACRA Code) and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements, the ACRA Code and IESBA Code.

Other matters

Placement on the Watch-list

On 2 June 2017, the Company announced that the Singapore Exchange Securities Trading Limited (the "SGX-ST") has notified the Company that pursuant to Rule1311(1), it will be placed on the Watch-list due to the Minimum Trading Price ("MTP") Entry Criteria with effect from 5 June 2017. The Company must take active steps to meet the requirements under Rule 1314(1) of the Listing Manual of the SGX-ST (the "Listing Manual") for its removal from Watch-List within 36 months from 5 June 2017, failing which, SGX-ST may either remove the Company from the official list of the SGX-ST (the Official List"), or suspend trading of the Company with a view to remove the Company from the Official List.

Unauthorised use of computer software

The Hong Kong Customs and Excise Department (the "HK Customs") visited the Company's Hong Kong office located at Kwai Chung on 20 October 2015 for the investigation of suspicious unauthorised use of computer software in business. Certain Company's computers were detained by the HK Customs for further investigation. As at the balance sheet date, the investigation by the HK Customs is still ongoing and accordingly, no provision has been made for this amount in the financial statements as no reliable estimate can be made of the amount of the obligation.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 29 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		The Group		The Company	
		31 December 2017	31 December 2016	**31 December 2017**	31 December 2016
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Plant and equipment	3	**863**	8,270	**–**	–
Intangible asset - club memberships	4	**460**	690	**–**	–
Subsidiaries	5	**–**	–	**4,751**	72,889
		1,323	8,960	**4,751**	72,889
Current assets					
Inventories	6	**19,771**	17,155	**–**	–
Trade and other receivables	7	**54,837**	83,597	**178**	71,161
Cash and bank balances	8	**39,718**	61,198	**3,192**	4,820
		114,326	161,950	**3,370**	75,981
Total assets		**115,649**	170,910	**8,121**	148,870
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	9	**20,250**	20,250	**20,250**	20,250
Reserves	10	**30,584**	78,869	**(17,173)**	124,664
		50,834	99,119	**3,077**	144,914
LIABILITIES					
Current liabilities					
Trade and other payables	12	**64,815**	71,791	**5,044**	3,956
Tax payable		**–**	–	**–**	–
		64,815	71,791	**5,044**	3,956
Total equity and liabilities		**115,649**	170,910	**8,121**	148,870

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2017

	Note	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000
Revenue	14	**110,102**	248,131
Cost of sales		**(95,726)**	(196,425)
Gross profit		**14,376**	51,706
Other operating income	15	**2,117**	1,890
Selling and distribution expenses		**(8,949)**	(11,454)
General and administrative expenses		**(55,407)**	(49,768)
Finance costs		**(59)**	–
Loss before income tax	16	**(47,922)**	(7,626)
Income tax expense	18	**(12)**	(1)
Loss for the year		**(47,934)**	(7,627)
Other comprehensive loss for the year, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations (at nil tax)		**1,555**	(2,526)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**1,555**	(2,526)
Total comprehensive loss attributable to owners of the Company		**(46,379)**	(10,153)
Basic loss per share (HK cents)	20	**(118.4)**	(18.8)
Diluted loss per share (HK cents)	20	**(118.4)**	(18.8)

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2017

	Share capital HK$'000	Share premium HK$'000	Reserve for treasury shares HK$'000	Foreign currency translation reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total attributable to equity holders of the Company HK$'000
Balance at 1 January 2016	20,250	197,502	(1,686)	(1,815)	633	(102,919)	111,965
Loss for the year	–	–	–	–	–	(7,627)	(7,627)
Other comprehensive loss:							
Exchange differences on translation of foreign operations	–	–	–	(2,526)	–	–	(2,526)
Total other comprehensive loss	–	–	–	(2,526)	–	–	(2,526)
Total comprehensive loss for the year	–	–	–	(2,526)	–	(7,627)	(10,153)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners:							
Dividend paid during the year (Note 25)	–	–	–	–	–	(2,693)	(2,693)
Transfer to accumulated losses upon lapse of share options	–	–	–	–	(39)	39	–
Total contributions by and distributions to owners	–	–	–	–	(39)	(2,654)	(2,693)
Balance at 31 December 2016	**20,250**	**197,502**	**(1,686)**	**(4,341)**	**594**	**(113,200)**	**99,119**
Loss for the year	–	–	–	–	–	(47,934)	(47,934)
Other comprehensive loss:							
Exchange differences on translation of foreign operations	–	–	–	1,555	–	–	1,555
Total other comprehensive loss	–	–	–	1,555	–	–	1,555
Total comprehensive loss for the year	–	–	–	1,555	–	(47,934)	(46,379)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners:							
Dividend paid during the year (Note 25)	–	–	–	–	–	(1,816)	(1,816)
Purchase of treasury shares (Note 11)	–	–	(90)	–	–	–	(90)
Transfer to accumulated losses upon lapse of share options	–	–	–	–	(40)	40	–
Total contributions by and distributions to owners	–	–	(90)	–	(40)	(1,776)	(1,906)
Balance at 31 December 2017	20,250	197,502	(1,776)	(2,786)	554	(162,910)	50,834

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2017

	Note	**Year ended 31 December 2017 HK$'000**	Year ended 31 December 2016 HK$'000
Cash Flows from Operating Activities			
Loss before taxation		**(47,922)**	(7,626)
Adjustments for:			
Depreciation of plant and equipment	3	**4,913**	6,012
Impairment loss on plant and equipment	3	**8,724**	–
Impairment loss on intangible asset	4	**230**	–
Reversal of impairment loss on trade receivables	7	**–**	(35)
Provision for stock obsolescence, net	16	**1,002**	1,115
Plant and equipment written off	16	**28**	527
Interest expense		**59**	–
Interest income	15	**(244)**	(19)
Operating loss before working capital changes		**(33,210)**	(26)
Changes in working capital:			
Inventories		**(3,618)**	9,980
Trade and other receivables		**28,760**	(14,317)
Trade and other payables		**(6,976)**	(6,519)
Cash used in from operations		**(15,044)**	(10,882)
Interest received		**244**	19
Income tax paid		**(12)**	(588)
Net cash used in operating activities		**(14,812)**	(11,451)
Cash Flows from Investing Activity			
Purchase of plant and equipment	3	**(5,985)**	(4,829)
Net cash used in investing activity		**(5,985)**	(4,829)
Cash Flows from Financing Activities			
Dividend paid during the year		**(1,816)**	(2,693)
Purchase of treasury shares	11	**(90)**	–
Interest paid		**(59)**	–
Net cash used in financing activities		**(1,965)**	(2,693)
Net decrease in cash and cash equivalents		**(22,762)**	(18,973)
Pledged bank deposit received	8	**10,952**	–
Effect of exchange rate changes on cash and cash equivalents		**720**	(1,364)
Cash and cash equivalents at beginning of year		**50,808**	71,145
Cash and cash equivalents at end of year	8	**39,718**	50,808

Reconciliations of liabilities arising from financing activities:

No reconciliation is required as the Group's cash flows from financing activities mainly arises from dividend payments to its shareholders only.

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

1 General information

The financial statements of Plastoform Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company was incorporated in Bermuda on 19 September 2003 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal places of business of the Group are located at Room 902-904, Seapower Centre, 73 Lei Muk Road, Kwai Chung, New Territories, Hong Kong and Building No. 16, B Zone, The 1st Industrial Zone, Gonghe Community, Shajing Street, Baoan District, Shenzhen City, Guangdong Province, Peoples' Republic of China ("PRC").

The Company was listed on the Singapore Exchange Securities Trading Limited on 12 October 2006.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to these consolidated financial statements.

2(a) Going concern

The Group's revenue has decreased significantly from HK$281.8 million in FY 2015 to HK$248.1 million in FY 2016 and HK$110.1 million in FY 2017 due to emergence of smart audio products which directly affected the demand for the Group's traditional Bluetooth speakers. The Group has reported its third consecutive year of losses of HK$47.9 million (2016: HK$7.6 million and 2015: HK$11.1 million) and reported net cash outflows from operating activities of approximately HK$14.8 million (2016: HK$11.45 million).

As at 31 December 2017, the Group and the Company has cash and bank balances of HK$39.7 million and HK$3.2 million, respectively (2016: HK$61.2 million and HK$4.8 million), and the monthly cash burn rate for the month of January 2018 and February 2018 was HK$2.5 million and HK$4.7 million, respectively. The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern. Notwithstanding these conditions, the Group has prepared the financial statements on a going concern basis as management is exploring fund raising options, including rights issue exercise, collaborations with new partners as well as diversification into a few new business segments as announced in its FY 2017 full year results announcement on 27 February 2018.

If for any reason the Group and the Company are unable to continue as going concerns, several adjustments would have to be made to the accompanying financial statements. Assets may need to be realised other than in the normal ordinary course of business and at amounts which could differ significantly from the amounts at which they have to provide for further liability that might arise, and to reclassify non-current assets to current assets. The accompany financial statements do not reflect the adjustment.

2(b) Basis of preparation

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

The financial statements are presented in Hong Kong dollars which is the Company's functional currency. All the financial information presented in Hong Kong dollars has been rounded to the nearest thousand, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities.

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.

The significant accounting estimates and assumptions used and areas involving a high degree of judgement are detailed below:

Significant judgements made in applying accounting policies

(i) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(ii) Impairment of loans and receivables (Note 7)

The Group's policy for allowances for impairment of loans and receivables is based on the on-going evaluation of the collectability and ageing analysis of the trade receivables and on management's judgement. Considerable judgement is required in assessing the estimated realisation of these receivables, including the current credit worthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the 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 loss of trade and other receivables may be required.

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Significant judgements made in applying accounting policies (Cont'd)

(iii) Income tax (Note 18)

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide 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 issue 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 impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities as at 31 December 2017 were HK$Nil (2016 - HK$Nil) and HK$Nil (2016 - HK$Nil) respectively.

The Group's subsidiaries make tax submissions to the local tax authorities in accordance with interpretations and local practices. Management has assessed and concluded that all tax submissions are appropriate and except for the outstanding payments so determined, there are no further tax and related liabilities.

As at 31 December 2017, the Group did not recognise deferred tax assets in relation to unutilised tax losses and temporary differences arising from deductible expenses due to uncertainties over which future taxable profit will be available against which the Group can utilise such benefit.

Critical accounting estimates and assumptions used in applying accounting policies

(i) Useful lives and depreciation of plant and equipment (Note 3)

Management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions. Management will revise the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of plant and equipment to be within 5 to 10 years.

The carrying amount of the Group's plant and equipment as at 31 December 2017 was HK$863,000 (2016 - HK$8,270,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the useful lives on plant and equipment were to increase by 1 year, the Group's loss for the year will decrease by approximately HK$704,000 (2016 - Group's loss for the year will decrease by HK$804,000). A corresponding decrease in useful life by 1 year would increase the Group's loss for the year by HK$1,042,000 (2016 - Group's loss for the year will increase by HK$1,209,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

(ii) Impairment of investment in subsidiaries (Note 5)

Investments in subsidiaries are tested for impairment when there are indicators that the carrying amount may not be recoverable or indications that an impairment loss recognised in prior periods may no longer exist or may have decreased as at the end of the reporting period. Recoverable amount is defined as the higher of an asset's or cash generating unit's fair value less costs of disposal and its value-in-use.

In making this judgement, the Group determined the recoverable amount using value-in-use which involves estimating the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows, taking into account business outlook, including factors such as industry and sector performance, general market and economic conditions and other available information.

As at 31 December 2017, a 1% increase/decrease in discount rate, keeping revenue growth rate constant; and a 1% increase/decrease in the revenue growth rate, keeping the discount rate constant, would have increased/(decreased) the recoverable amount of the investment in subsidiaries as follows:

	2017 **HK$'000**	2016 HK$'000
Discount rate:		
- Increase by 1%	**29**	(3,832)
- Decrease by 1%	**(30)**	4,283
Revenue growth rate:		
- Increase by 1%	**(119)**	669
- Decrease by 1%	**(20)**	(669)

(iii) Impairment of plant and equipment (Note 3)

As at 31 December 2017, the carrying amount of the Group's plant and equipment amounted to HK$0.86 million. Plant and equipment are tested for impairment when there are indicators that the assets are carried at more than their recoverable amount. The recoverable amount of the cash-generating unit is based on the higher of value-in-use or fair value less costs to sell.

In making this judgement, the Group determined the recoverable amount based on (i) external quotations from independent third party agencies and (ii) future sales volume, selling prices and operating margins, terminal value growth rate and the weighted average cost of capital (discount rate).

As at 31 December 2017, a 1% increase/decrease in discount rate, keeping revenue growth rate constant; and a 1% increase/decrease in the revenue growth rate, keeping the discount rate constant, does not have a significant impact on the recoverable amount of the Group's plant and equipment.

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

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

(iv) Allowance for inventory obsolescence (Note 6)

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision 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.

If the net realisable values of the inventory increase/decrease by 5% from management's estimates, the Group's loss will decrease/increase by HK$989,000 (2016 - HK$858,000).

(v) Allowances for impairment loss on amounts due from subsidiaries (Note 7)

Amounts due from subsidiaries are tested for impairment when there are indicators that the carrying amount may not be recoverable or indications that an impairment loss recognised in prior periods may no longer exist or may have decreased as at the end of the reporting period. Recoverable amount is defined as the higher of an asset's or cash generating unit's fair value less costs of disposal and its value-in-use.

In making this judgement, management determined the recoverable amount of the Cash Generating Unit ("CGU") using the fair value less costs of disposal which is based on the residual net asset value of the underlying CGU taking into account factors, such as the realisable values of the plant and equipment and club memberships held by the Company's subsidiaries while the carrying amounts of the remaining net assets approximated their respective fair values.

A change of 10% in the realisable values of the non-financial assets of the underlying CGU does not have a significant impact on the recoverable amounts due from subsidiaries.

2(c) Interpretations and amendments to published standards effective in 2017

The directors do not anticipate that the adoption of the IFRSs will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

2(d) IFRS not yet effective

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The directors do not anticipate that the application of these new and revised IFRS will have a material impact on the financial statements of the Group and the Company except for the following which may be relevant to the Group and may have a significant effect on the consolidated financial statements in future financial periods.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 9	*Financial Instruments*	1 January 2018
IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
Clarifications to IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
IFRS 16	*Leases*	1 January 2019

IFRS 9 *Financial Instruments*

IFRS 9 replaces most of the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

During 2017, the Group completed its initial assessment of the impact on the Group's financial statements.

Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under IFRS 9.

Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under IFRS 9. The Group does not have any financial assets held at fair value or classified as "available for sale".

Impairment – The Group plans to apply the simplified approach and records lifetime expected impairment losses on all trade receivables. On adoption of IFRS 9, the Group does not expect a significant increase in the impairment loss allowance.

Transition – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

IFRS 15 and *Clarification to IFRS 15 Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. In addition, it also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, IFRS 15 replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and IFRIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Clarifications to IFRS 15 *Revenue Contracts with Customers* clarifies how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, IFRS 15, i.e. on 1 January 2018.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is adopting IFRS 15 in its financial statements for the year ending 31 December 2018. During 2017, the Group completed its initial assessment, the Group does not expect significant changes to the basis of revenue recognition for its revenue from sale of audio products and tooling income on the adoption of IFRS 15.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

This Interpretation provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

The Interpretations are effective from 1 January 2018.

On initial application, entities would have the option of applying the Interpretations either retrospectively or prospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group is currently assessing the impact.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

IFRS 16 *Leases*
IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and financial liabilities to pay rentals with a term of more than 12 months, unless the underlying asset is of a low value.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.

When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has production factory and office premises in PRC and Hong Kong where they are operating leases. The Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. It is currently impracticable to disclose any further information on the known or reasonable estimable impact to the Group's financial statement. Management does not plan to early adopt the above new IFRS 16.

2(e) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as 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.

Consolidation of subsidiaries in the People's Republic of China ("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 PRC statutory financial statements of the subsidiaries, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profit available for distribution by the PRC subsidiary is based on the amounts stated in the PRC statutory financial statements.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group 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.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

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

Subsidiary

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:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

<u>Non-Controlling Interest</u>

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Subsidiary (Cont'd)

Changes in the ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

A gain or loss is recognised in the statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

When the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In the Company's separate financial statements, investment in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

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

Plant and equipment, and depreciation

All items of plant and equipment are initially recorded at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying plant and equipment. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation on the plant and equipment is calculated using the straight-line method to allocate the depreciable amount over their estimated useful lives as follows:

Plant and machinery	10% to 20% per annum
Moulds	Over 24 months
Furniture, fixtures and equipment	15% to 20% per annum
Motor vehicles	25% per annum
Yacht	25% per annum

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

For acquisitions and disposals during the year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated plant and equipment are retained in the books of accounts until they are no longer in use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

Intangible asset

Intangible assets relate to club memberships acquired separately and are measured on initial recognition of cost. The cost of club memberships is the fair value as at the date of acquisition. Subsequent to recognition, club memberships are measured at cost less any accumulated impairment losses.

Club memberships are classified as "Intangible Assets" with indefinite useful lives as club memberships entitle the member to enjoy the club facilities for lifetime. Since it is with indefinite useful lives, they are tested from impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at a cash-generating unit level. The useful life of the club memberships with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Financial assets

Financial assets 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 reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Group and the Company commit 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 each reporting date 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 presented in the statement of financial position when, and only when, the Group currently has a legally enforceable rights to set off the recognised assets; and intends either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in statement of comprehensive income 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 reporting date which are classified as non-current assets.

Loans and receivables include trade and other receivables (excluding VAT receivables, advances to suppliers and prepayments) 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 the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition, are accounted for as follows:

- Raw materials – Purchase cost on a weighted average basis;

- Work-in-progress and finished goods – Cost of direct materials and labour and apportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the next 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any provision for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any provision for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the consolidated statement of cash flows, pledged deposits are excluded from cash and cash equivalents.

Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Share premium includes any premiums received on the issue of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits to the extent they are incremental costs directly attributable to the equity transaction.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Financial liabilities

The Group's financial liabilities include trade and other payables (excluding deposits received in advances).

Financial liabilities are recognised when the Group and the Company become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the statement of comprehensive income. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount present 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.

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

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. Management is required to provide certain staff pension benefits to their employees under existing Hong Kong and PRC regulations. Pension contributions are provided at rates stipulated by the respective jurisdiction and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the employees.

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 the statement of comprehensive income in the period to which the contributions made.

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 reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Employee Share Option Scheme

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

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the statement of comprehensive income 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 the statement of comprehensive income, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve is credited to share capital account, when new ordinary shares are issued.

Performance Share Plan

The Performance Share Plan is accounted as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant. The share-based expenses is amortised and recognised in the statement of comprehensive income on a straight-line basis over the vesting period. At each balance sheet date, the Company revises its estimates on the number of shares that the participating employees and directors are expected to receive based on non-market vesting conditions. The difference is charged or credited to the statement of comprehensive income, with a corresponding adjustment to equity over the remaining vesting period.

The fair value of the options granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase recorded in equity over the vesting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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 Company if that person:

(i) has control or joint control of the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or 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 the 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 party 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); or

(viii) the entity, or any member of a group which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

Leases

Where the Group is the lessee

Operating leases

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 the statement of comprehensive income 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.

Where the Group is the lessor

Operating leases

Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Earnings per share

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

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 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 goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable statement of comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Income taxes (Cont'd)

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 reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of 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 the statement of comprehensive income, 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. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Impairment of non-financial assets

The carrying amounts of the Group's and the Company'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 asset belongs will be identified.

For the purpose 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. All assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the statement of comprehensive income. An impairment loss is reversed in the statement of comprehensive income 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.

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

Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. In a transaction where the Group acts as an agent, such commission income is recognised net on an accrual basis. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods and scrap materials

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

Government grant income

An unconditional government grant is recognised in the statement of comprehensive income as "other income" when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grant are then recognised in profit or loss as "other income" on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in the statement of comprehensive income as "other income" on a systematic basis in the same periods in which the expenses are recognised.

Functional 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 consolidated financial statements of the Group and statement of financial position of the Company are presented in Hong Kong Dollar, which is also the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

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 resulting 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 reporting date are recognised in the statement of comprehensive income. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to statement of comprehensive income, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance cost". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Group entities

The results and financial positions of all the Group entities (*none of which has the currency of a hyper inflationary economy*) 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 that statement of financial position;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be 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.

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. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

All operating segments' operating results are reviewed regularly by the Group's 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Operating segments (Cont'd)

Additional disclosures on operating segments are shown in Note 19 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

3 Plant and equipment

The Group	Mould HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Yacht HK$'000	Total HK$'000
Cost							
At 1 January 2016	13,110	31,136	23,436	4,779	2,399	3,716	78,576
Additions	2,776	1,056	731	–	266	–	4,829
Write-offs	(255)	(6,986)	(17,015)	(151)	–	–	(24,407)
Exchange differences on translation	(850)	(182)	(93)	(12)	(165)	–	(1,302)
At 31 December 2016	**14,781**	**25,024**	**7,059**	**4,616**	**2,500**	**3,716**	**57,696**
Additions	**4,649**	**–**	**445**	**–**	**891**	**–**	**5,985**
Write-offs	**–**	**(30)**	**(224)**	**–**	**–**	**–**	**(254)**
Exchange differences on translation	**1,187**	**216**	**139**	**13**	**195**	**–**	**1,750**
At 31 December 2017	**20,617**	**25,210**	**7,419**	**4,629**	**3,586**	**3,716**	**65,177**
Accumulated depreciation/Impairment loss							
At 1 January 2016	9,652	28,589	20,502	4,613	1,065	3,716	68,137
Depreciation for the year	2,967	1,037	1,129	98	781	–	6,012
Write-offs	(157)	(6,869)	(16,703)	(151)	–	–	(23,880)
Exchange differences on translation	(645)	(50)	(35)	(8)	(105)	–	(843)
At 31 December 2016	**11,817**	**22,707**	**4,893**	**4,552**	**1,741**	**3,716**	**49,426**
Depreciation for the year	**2,848**	**597**	**833**	**54**	**581**	**–**	**4,913**
Impairment loss recognised	**4,831**	**1,027**	**1,783**	**–**	**1,083**	**–**	**8,724**
Write-offs	**–**	**(30)**	**(196)**	**–**	**–**	**–**	**(226)**
Exchange differences on translation	**1,121**	**57**	**106**	**12**	**181**	**–**	**1,477**
At 31 December 2017	**20,617**	**24,358**	**7,419**	**4,618**	**3,586**	**3,716**	**64,314**
Net carrying amount							
At 31 December 2017	**–**	**852**	**–**	**11**	**–**	**–**	**863**
At 31 December 2016	2,964	2,317	2,166	64	759	–	8,270

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

3 Plant and equipment (Cont'd)

Depreciation of plant and equipment was recognised in the following captions in the consolidated statement of comprehensive income:-

	2017 **HK$'000**	2016 HK$'000
Cost of sales	**3,117**	3,639
Selling and distribution expenses	**37**	15
General and administrative expenses	**1,759**	2,358
	4,913	6,012

Impairment losses

The Group continues to incur substantial net losses since FY2015, attributable to the decline in revenue from HK$281.8 million in FY2015, to HK$248.1 million in FY2016 and subsequently to HK$110.1 million in FY2017 due to the emergence of smart audio products which directly affected the demand for the Group's traditional Bluetooth Speakers.

Management carried out review of the recoverable amounts of plant and equipment as at 31 December 2017.

The recoverable amount of plant and equipment were either determined based on (i) the value-in-use methodology ("VIU") using the discounted forecast cash flow model, covering a five-year period, determined based on projected cash flows derived from financial budgets prepared by management, using a pre-tax discount rate of 16.61%; or (ii) fair value less cost to sale, determined based on quotations from independent third party agencies.

Valuation techniques and significant unobservable inputs

For plant and equipment determined using the fair value less cost to sale, the following table shows the valuation techniques used in measuring the Level 3 fair value hierarchy, as well as the significant unobservable inputs used:

Valuation method	**Basis**	**Key unobservable inputs**	**Inter-relationship between key unobservable inputs and recoverable amount**
Plant and machinery			
Depreciated replacement cost approach	Cost to a market participant buyer to acquire or construct a building of comparable utility, adjusted for obsolescence	Current market purchase prices	A significant increase in market purchase prices would result in a significantly higher recoverable amount, and vice versa.

An impairment loss on plant and machinery amounting to HK$8,724,000 (2016 – HK$Nil) was recognised in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

4 Intangible asset – club memberships

During the year, the Group recognised impairment losses on club memberships of HK$0.23 million (2016-HK$Nil) based on the latest transacted prices of the club memberships extracted from public accounts.

Accordingly, the fair value hierarchy is Level 1.

5 Subsidiaries

The Company	2017 HK$'000	2016 HK$'000
Unquoted equity investment, at cost	**52,608**	52,608
Amounts due from subsidiaries (non-trade)	**47,000**	47,000
	99,608	99,608
Less: Impairment loss recognised	**(94,857)**	(26,719)
	4,751	72,889

The non-trade amounts due from subsidiaries are an extension of the Company's net investment in the subsidiaries. The amounts are unsecured, interest-free and are not expected to be repaid within one year. They are stated at cost, less impairment losses, if any.

Details of the subsidiaries are:

Name of subsidiary	Country of incorporation/ Principal place of business	Effective equity interest held by the Group 2017 %	2016 %	Principal activities
Held by the Company				
PFM International Limited[(1)(2)]	British Virgin Islands	**100**	100	Investment holding
Held by PFM International Limited				
Plastoform Industries Limited[(1)(3)]	Hong Kong	**100**	100	Sales of audio products
Wave9 Systems Limited[(1)(3)]	Hong Kong	**100**	100	Inactive
Platform2 International Limited[(1)(3)]	Hong Kong	**100**	100	Sales of audio products
Held by Plastoform Industries Limited				
Plastoform Electronics (Shenzhen) Company Limited[(1)(4)] ("捷永广建电子（深圳）有限公司")	Peoples' Republic Of China	**100**	100	Manufacture and sales of audio products
TT Tech Limited[(1)(3)]	Hong Kong	**100**	100	Inactive
Held by Platform2 International Limited				
iUi Audio Inc[(1)(2)]	United States	**100**	100	Inactive
Platform2 Trading (Shenzhen) Company Limited[(1)] ("捷澧贸易（深圳）有限公司")	Peoples' Republic Of China	**100**	100	Inactive

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

5 Subsidiaries (Cont'd)

(1) Audited by Foo Kon Tan LLP for consolidation purposes

(2) Not required to be audited under the laws of the country in which it is incorporated

(3) Audited by Castra CPA Limited for local statutory reporting purposes

(4) Audited by 深圳天英会计师事务所(普通合伙) for local statutory reporting purposes

During the financial year ended 31 December 2017, having regard to the financial performance of certain subsidiaries that have been loss making since prior financial years, an impairment loss of approximately HK$68.1 million (2016 – HK$5.7 million) was recognised in respect of the Company's investment in PFM International Limited ("PFM"), which in turn invests in certain wholly-owned subsidiaries, to reduce the carrying amount of the investment to its recoverable amount.

In determining the recoverable amount of the cost of investment in PFM, which is an investment holding company, having 100% interest in Plastoform Industries Limited ("PIL"), Wave 9 Systems Limited ("Wave 9") and Platform2 International Limited ("P2"), the recoverable amounts are determined based on the value-in-use ("VIU") of PIL, Wave 9 and P2 respectively.

The calculation of the impairment loss recognised on the cost of investment in subsidiaries are as follows:

The Company	2017 HK$'000	2016 HK$'000
Carrying amount of investment in Plastoform Industries Limited:		
- Unquoted equity shares, at cost	48,608	48,608
- Non-trade amount due from a subsidiary	30,000	30,000
	78,608	78,608
Carrying amount of investment in Wave 9 Systems Limited:		
- Unquoted equity shares, at cost	4,000	4,000
	4,000	4,000
Carrying amount of investment in Platform2 International Limited:		
- Unquoted equity shares, at cost	–*	–*
- Non-trade amount due from a subsidiary	17,000	17,000
	17,000	17,000
Total	99,608	99,608
Allowance for impairment loss on net investment in subsidiaries	(94,857)	(26,719)
Net investments in subsidiaries	4,751	72,889
VIU of subsidiaries:		
- Plastoform Industries Limited	4,751	72,889
- Wave 9 Systems Limited	–	–
- Platform2 International Limited	–	–
	4,751	72,889

* Investment of HK$1.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

5 Subsidiaries (Cont'd)

The changes in impairment losses during the financial year is as follows:

The Company	2017 HK$'000	2016 HK$'000
At 1 January	**26,719**	4,000
Impairment loss recognised in the statement of comprehensive income	**68,138**	5,719
Impairment loss reclassified from "loans and receivables" (Note 7)	**–**	17,000
At 31 December	**94,857**	26,719

The recoverable amount of the investment in PFM was determined based on the VIU of the subsidiaries, which was determined using a pre-tax discount rate of approximately 16.61% (2016 - 18.02%). The VIU calculation was based on projected cash flows derived from the financial budgets prepared by the management.

As at 31 December 2017, the carrying amount of PIL exceeded its VIU and accordingly, an impairment loss of HK$68.1 million (2016-HK$5.7 million) was recognised in the Company's statement of comprehensive income.

6 Inventories

The Group	2017 HK$'000	2016 HK$'000
Raw materials (At cost)	**6,647**	5,968
Work-in-progress (At cost)	**10,304**	5,011
Finished goods (At cost)	**2,820**	6,176
	19,771	17,155

Raw materials and changes in finished goods and work-in-progress included in cost of sales amounted to HK$63,117,000 (2016 - HK$150,494,000). During the current financial year, management provided approximately HK$1,002,000 on inventory obsolescence (2016 - HK$1,115,000). The provision for inventory obsolescence was included in "cost of sales" in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

7 Trade and other receivables

The Group	2017 HK$'000	2016 HK$'000
Trade receivables	51,090	76,700
Allowance for impairment loss	(34)	(3,307)
Net trade receivables	51,056	73,393
Deposits	1,416	1,351
Other receivables	459	424
Loans and other receivables	52,931	75,168
Input VAT recoverable, net	1,343	7,608
Prepayments	563	821
	54,837	83,597
The Company		
Amounts due from subsidiaries (non-trade)	96,731	99,648
Allowance for impairment loss	(96,731)	(28,584)
Net amounts due from subsidiaries	–	71,064
Prepayments	178	97
	178	71,161

The Group's primary exposure to credit risk arises through its multinational corporations. The sales are recognised at their original invoiced amounts which represent their fair values on initial recognition. The average credit term extended to the majority of the customers ranges from 30 to 60 days.

The Group's historical experience in the collection of account receivables falls within the recorded allowances. As a result, management believes that no additional credit risk beyond the amounts provided for is inherent in the Group's trade receivables.

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The amounts due from subsidiaries do not have any credit terms and are not past due.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

7 Trade and other receivables (Cont'd)

Impairment losses

The ageing of loans and other receivables at the reporting date is:

The Group	As at 31 December 2017 Gross HK$'000	Impairment losses HK$'000	Net HK$'000	As at 31 December 2016 Gross HK$'000	Impairment losses HK$'000	Net HK$'000
No credit terms	**1,875**	**–**	**1,875**	1,775	–	1,775
Not past due	**32,785**	**–**	**32,785**	47,887	–	47,887
Past due:						
- Not more than 3 months	**18,264**	**–**	**18,264**	25,501	–	25,501
- More than 3 months and not more than 6 months	**7**	**–**	**7**	5	–	5
- More than 6 months and not more than 12 months	**–**	**–**	**–**	–	–	–
- More than 12 months	**34**	**(34)**	**–**	3,307	(3,307)	–
	52,965	**(34)**	**52,931**	78,475	(3,307)	75,168

The change in impairment losses in respect of loans and other receivables during the year is as follows:

	The Group 2017 HK$'000	The Group 2016 HK$'000	The Company 2017 HK$'000	The Company 2016 HK$'000
At 1 January	**3,307**	3,342	**28,584**	45,584
Impairment loss recognised in the statement of comprehensive income	**–**	–	**68,147**	–
Impairment loss reversed in the statement of comprehensive income	**–**	(35)	**–**	–
Impairment loss reclassified to investment in subsidiaries (Note 5)	**–**	–	**–**	(17,000)
Impairment loss utilised	**(3,273)**	–	**–**	–
At 31 December	**34**	3,307	**96,731**	28,584

As at the reporting date, management carried out a review of the recoverable amount of the amounts due from subsidiaries. To determine whether there is an objective evidence of impairment, management assessed if a loss event has occurred such that the Company will not be able to recover all amounts due in accordance with the original terms of the inter-company receivables. Based on management assessment, an impairment loss of HK$68.1 million was recognised in the Company's statement of comprehensive income. The recoverable amount was determined based on the residual net asset value of the subsidiary which approximated its fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

8 Cash and bank balances

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash on hand	**24**	22	**–**	–
Cash at banks	**39,694**	50,786	**3,192**	4,820
Bank deposit pledged[(1)]	**–**	10,390	**–**	–
	39,718	61,198	**3,192**	4,820

For the purposes of the consolidated cash flow statement, the year-end cash and bank balances comprise of the following:

The Group	**2017** **HK$'000**	2016 HK$'000
Cash and bank balances	**39,718**	61,198
Less: Bank deposit pledged[(1)]	**–**	(10,390)
Cash and short-term deposits	**39,718**	50,808

(1) In FY 2015, the Group deposited RMB 9,308,000, equivalent to HK$11,093,000 (2016 - HK$10,390,000) with the China Construction Bank, to obtain a banker's guarantee required by the General Administration of Customs People's Republic of China, following a downgrade of its PRC subsidiary's export-grading status. The bank deposit pledged of RMB 9,308,000 (equivalent to HK$10,952,000) was received on 6 November 2017.

Cash and bank balances have an effective interest rate ranging from 0.01% to 1.75% per annum (2016 - ranging from 0.01% to 1.55% per annum) for the financial year ended 31 December 2017.

9 Share capital

The Company	Par value HK$	Number of ordinary shares ('000)	Amount HK$'000
Authorised:			
At 31 December 2016 and 2017	**0.50**	**400,000**	**200,000**
Issued and fully paid-up ordinary shares:			
At 31 December 2016 and 2017	**0.50**	**40,500**	**20,250**

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

10 Reserves

		The Group		The Company	
	Note	**31 December 2017 HK$'000**	31 December 2016 HK$'000	**31 December 2017 HK$'000**	31 December 2016 HK$'000
Share premium	(a)	**197,502**	197,502	**197,502**	197,502
Share option reserve	(b)	**554**	594	**554**	594
Reserve for treasury shares	(c)	**(1,776)**	(1,686)	**(1,776)**	(1,686)
Foreign currency translationreserve	(d)	**(2,786)**	(4,341)	**–**	–
Accumulated losses		**(162,910)**	(113,200)	**(213,453)**	(71,746)
		30,584	78,869	**(17,173)**	124,664

(a) The share premium relates to an amount of HK$90.0 million in connection with the issuance of shares pursuant to its initial public offering on SGX-ST during the financial year ended 31 December 2006, and amounts of HK$82.6 million and HK$25.0 million raised in connection with the Rights Issue exercises carried out during the financial year ended 31 December 2012 and 2014 respectively.

(b) Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options. 4,000 share options expired during the current financial year. Accordingly, HK$40,000 was reclassified from the share option reserve to accumulated losses.

(c) Reserve for treasury shares amounting to HK$1.8 million (2016 - HK$1.7 million) comprises the cost of Company's shares held by the Group. As at 31 December 2017, the Group held 453,800 of the Company's Consolidated Treasury Shares (2016 - 353,800 of the Company's Consolidated Treasury Shares). Please see Note 11 for further details.

(d) Foreign currency translation reserve arises from the translation of financial statements of foreign entities whose functional currencies are different from the presentation currency.

11 Treasury shares

	No. of ordinary shares		Amount	
The Company	**2017 '000**	2016 '000	**2017 HK$'000**	2016 HK$'000
Balance at the beginning of year	**354**	354	**1,686**	1,686
Repurchased during the year	**100**	–	**90**	–
Balance at end of year	**454**	354	**1,776**	1,686

The Company acquired 100,000 treasury shares through purchase on the Singapore Exchange during the financial year. The Company intends to reissue shares to executives who exercised their share options under the Plastoform Employee Share Option Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

12 Trade and other payables

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**46,836**	61,310	**–**	–
Other payables	**1,623**	1,089	**–**	–
Accrued operating expenses	**2,573**	2,929	**1,485**	397
Accrued salary and wages	**7,264**	5,386	**–**	–
Amount due to companies owned by directors (non-trade)	**731**	731	**731**	731
Amount due to a subsidiary (non-trade)	**–**	–	**2,828**	2,828
Financial liabilities at amortised cost	**59,027**	71,445	**5,044**	3,956
Deposits received in advance	**5,788**	346	**–**	–
	64,815	71,791	**5,044**	3,956

The amounts due to companies owned by directors and a subsidiary are unsecured, interest-free and repayable on demand.

13 Share-based payment

(a) Employee Share Options

The Company's Employee Share Option Scheme (the "ESOS") was adopted pursuant to written resolution passed on 21 August 2006 and will continue to be in force at the discretion of the Remuneration Committee subject to a maximum of 10 years. Accordingly, the ESOS has expired on 20 August 2016.

In 2009, 4,500,000 share options are granted to selected employees under the ESOS. The exercise price of the granted options is equal to the market price of the shares less 18% on the date of the grant. Options are conditional on the employee completing two years' service (the vesting period). The options are exercisable starting two years from the grant date; the options have a contractual option term of 8 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

13 Share-based payment (Cont'd)

(a) Employee Share Options (Cont'd)

The weighted average fair value of options granted during the period determined using the Black-Scholes option pricing model was S$0.045 per option, the significant input into the model were weighted average share price of S$0.045 at the grant date, exercise price as shown above, volatility of 284.5%, dividend yield of 0%, and an annual risk-free interest rate of 1%. The volatility measured at the standard deviation of continuously compounded share return is based on statistical analysis of daily share prices over the last three years.

Movements in the number of share options outstanding and their exercise price are as follows:

	2017		2016	
The Group	**Exercise price per share S$**	**Options (in '000)**	Exercise price per share S$	Options (in '000)
At 1 January	**1.850**	**35**	1.850	39
Less: Share options expired	**1.850**	**(4)**	1.850	(4)
At 31 December	**1.850**	**31**	1.850	35

(b) Plastoform Performance Share Plan

The Plastoform Performance Share Plan ("PSP") was approved by the shareholders of the Company on 24 April 2014, in addition to and is complementary to the ESOS and serves as an additional and flexible incentive tool. The PSP is intended to further the Company's continuing efforts to reward, retain and motivate Directors and employees to achieve better performance. The PSP is an incentive plan to provide the Company with the flexibility in tailoring reward and incentive packages to suit individual participants.

The PSP is administered by the Remuneration Committee ("RC").

Subject to the absolute discretion of the RC, the following groups of participants are eligible to participate in the PSP -

(i) The Group's employees, Executive Directors and Independent Directors; and

(ii) Controlling Shareholders and their associates who meet certain criteria, provided that the participation of each Controlling Shareholder or his associate and each grant of share awards to any of them may only be effected with the specific prior approval of independent Shareholders at a general meeting in separate resolutions.

No share awards were granted under PSP since its commencement and during the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

14 Revenue

The Group	2017 HK$'000	2016 HK$'000
Sale of audio products	**104,760**	242,747
Tooling income	**5,375**	5,694
Total gross revenue	**110,135**	248,441
Sales returns and discounts	**(33)**	(310)
	110,102	248,131

15 Other operating income

The Group	2017 HK$'000	2016 HK$'000
Bad trade debts recovered	**1,062**	–
Forfeiture of resignee salaries	**34**	37
Forfeiture of trade deposits from a customer	**111**	628
Government grant income	**130**	535
Interest income	**244**	19
Rental income	**307**	308
Sale of scrap materials	**173**	256
Sponsorship income	**–**	88
Others	**56**	19
	2,117	1,890

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

16 Loss before income tax

The Group	2017 HK$'000	2016 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Included in inventories recognised as an expense in "cost of sales":		
Carriage inwards	**324**	470
Consumables	**539**	702
Depreciation of plant and equipment (Note 3)	**3,117**	3,639
Development expenses and laboratory testing costs	**1,231**	1,394
Operating lease expenses	**1,663**	1,667
Provision for inventory obsolescence	**1,002**	1,115
Sample costs	**1,228**	1,144
Staff costs (Note 17)	**22,421**	32,144
Utilities	**1,656**	2,343
Included under "general and administrative expenses":		
Audit fees paid to:		
- Auditors of the Company	**984**	984
- Other auditors of the subsidiaries	**428**	317
Impairment loss recognised on intangible assets (Note 4)	**230**	–
Impairment loss recognised on plant and equipment (Note 3)	**8,724**	–
Impairment loss reversed (Note 3)	**–**	(35)
Bad trade debts written off	**–**	42
Business and entertainment expenses	**1,253**	1,240
Communication expenses	**333**	352
Depreciation of plant and equipment (Note 3)	**1,759**	2,358
Development expenses and laboratory testing costs	**307**	277
Exchange gain, net	**(419)**	(2,376)
Legal & professional fees	**1,592**	1,353
Motor vehicles expenses	**689**	647
Operating lease expenses	**2,657**	2,728
Plant and equipment written off	**28**	527
Security expenses	**467**	439
Staff costs (Note 17)	**33,488**	37,184
Utilities	**300**	281
Yacht expenses	**301**	263

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

17 Staff costs

The Group	Included under: Cost of sales HK$'000	Selling and distribution HK$'000	General and administrative HK$'000	Total HK$'000
2017				
Directors' remuneration:-				
- Director fees paid to non-executive directors	–	–	901	901
- Salaries, allowances and pension costs paid to Executive Directors	–	–	3,915	3,915
	–	–	4,816	4,816
Key management personnel other than directors:-				
- Salaries and allowances	–	–	1,818	1,818
- Pension costs - defined contribution plans	–	–	28	28
	–	–	1,846	1,846
Total key management personnel compensation	–	–	6,662	6,662
Employee benefits expense other than directors and other key management:-				
- Salaries and allowances	19,652	4,642	23,340	47,634
- Termination benefits	–	–	1,853	1,853
- Pension costs - defined contribution plans	2,769	587	1,633	4,989
	22,421	5,229	26,826	54,476
Total	22,421	5,229	33,488	61,138

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

17 Staff costs (Cont'd)

The Group	Included under: Cost of sales HK$'000	Selling and distribution HK$'000	General and administrative HK$'000	Total HK$'000
2016				
Directors' remuneration:-				
- Director fees paid to non-executive directors	–	–	900	900
- Salaries, allowances and pension costs paid to Executive Directors	–	–	4,685	4,685
	–	–	5,585	5,585
Key management personnel other than directors:-				
- Salaries and allowances	–	–	945	945
- Pension costs - defined contribution plans	–	–	20	20
	–	–	965	965
Total key management personnel compensation	–	–	6,550	6,550
Employee benefits expense other than directors and other key management:-				
- Salaries and allowances	29,010	4,541	28,271	61,822
- Termination benefits	–	–	151	151
- Pension costs - defined contribution plans	3,134	471	2,212	5,817
	32,144	5,012	30,634	67,790
Total	32,144	5,012	37,184	74,340

18 Income tax expense

Major component of income tax expense

The major components of income tax expense for the year ended 31 December 2017 and 2016 are:

The Group	**2017 HK$'000**	2016 HK$'000
Income tax		
- Current year	**6**	–
- Under provision in respect of prior years	**6**	1
	12	1

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

18 Income tax expense (Cont'd)

Relationship between tax expenses and loss before tax

A reconciliation between tax expense and the product of loss before tax multiplied by the applicable tax rate for the financial years ended 31 December 2017 and 31 December 2016 is as follows:-

The Group	**2017 HK$'000**	2016 HK$'000
Loss before income tax	**(47,922)**	(7,626)
Tax at the applicable domestic tax rate of 16.5% (2016 - 16.5%)	**(7,907)**	(1,258)
Tax effects of:		
- Different tax rate due to different tax jurisdiction	**(2,161)**	(319)
- Expenses not deductible for tax purposes	**2,436**	722
- Income not subject to tax	**–**	(70)
- Tax effect of tax losses not recognised	**7,638**	2,096
- Utilisation of previously unrecognised tax losses	**–**	(1,171)
- Under provision in respect of prior years	**6**	1
Income tax expense	**12**	1

Expenses not deductible for tax purposes mainly include provision for inventory obsolescence, impairment loss on plant and equipment, allowance for impairment losses on trade receivable, expenses recorded by dormant entities within the Group, excess entertainment expenses and staff welfare for PRC subsidiaries.

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda and accordingly, it is exempted from income tax in Bermuda until FY 2017.

Hong Kong profits tax is calculated at a rate of 16.5% (2016 - 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the financial year.

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

Unrecognised tax losses

As at 31 December 2017, the Group has unutilised tax losses of approximately HK$82,457,000 (2016 - HK$48,473,000) that is available for offset against future taxable profit of the companies in which the losses arose, for which no deferred tax asset is recognised because it was not certain that future taxable profits would be available against which the Group could utilise the benefits. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of respective countries in which the companies operate.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

19 Operating segments

The directors of the Company review the Group's internal financial reporting and other information and also obtain other relevant external information in order to assess performance and allocate resources. Operating segment is identified with reference to these.

The directors of the Company consider that the business of the Group is organised in one operating segment as the design, production and sale of audio products. Additional disclosure in relation to segment information is not presented as the directors of the Company assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total net segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position. Details of amounts of additions to non-current assets, interest income and depreciation expense in relation to the sole operating segment are disclosed below and in Notes 3 and 16 respectively.

Revenue by geographical area of principal markets determined on the basis of destination of delivery or products:

Revenue	2017 HK$'000	2016 HK$'000
The Group		
United States of America	**42,302**	128,199
People's Republic of China	**28,028**	2,659
Hong Kong	**20,490**	99,806
Europe	**12,720**	11,198
Australia	**342**	204
Singapore	**3,442**	695
Others	**2,778**	5,370
Total revenue	**110,102**	248,131

The Company is domiciled in Bermuda with the Group's major operations in Hong Kong Special Administrative Region ("HK SAR") and Peoples' Republic of China (PRC). The Group's non-current assets comprising plant and equipment by geographical area is summarised below:-

	2017 HK$'000	2016 HK$'000
Non-current asset – Plant and equipment		
Hong Kong	**–**	1,340
PRC	**863**	6,930
Total	**863**	8,270

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

19 Operating segments (Cont'd)

Revenue from customers contributing over 10% of total sales of the Group is as follows:

Customer	2017 HK$'000	2016 HK$'000
The Group		
Customer A	**24,480**	83,224
Customer B	**22,990**	73,094
Customer C	**19,668**	39,114

20 Loss per share

The Group	2017 HK$'000	2016 HK$'000
Basic loss per share is based on:		
Loss attributable to equity holders of the Company	**(47,934)**	(7,627)

The Group	Number of shares ('000) 2017	2016
Issued ordinary shares at beginning and end of year	**40,500**	40,500
Weighted average number of ordinary shares	**40,500**	40,500

Basic loss per share is calculated by dividing the Group's loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year. The denominators used are the same in the computation of the basic loss per share.

The Group	2017 HK$'000	2016 HK$'000
Diluted loss per share is based on:		
Loss attributable to equity holders of the Company	**(47,934)**	(7,627)

For the purpose of calculating diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options with the potential ordinary shares weighted for the period outstanding.

20 Loss per share (Cont'd)

The effect of the exercise of share options on the weighted average number of ordinary shares in issue is as follows:

The Group	Number of shares ('000) 2017	2016
Weighted average number of shares issued, used in calculation of basic earnings per share	**40,500**	40,500
Potential ordinary shares issuable under share options	**31**	35
Weighted average number of ordinary shares issued and potential shares assuming full conversion	**40,531**	40,535

The denominators used are the same in the computation of the basic loss per share. There are no anti-dilutive options for the year ended 31 December 2016 and 2017.

21 Commitments

Where the Group is the lessee

As at 31 December 2017, the Group has commitment for future minimum lease payment under non-cancellable operating leases for its production factory and office premises in PRC and Hong Kong as follows:

The Group	2017 HK$'000	2016 HK$'000
Not later than 1 year	**3,756**	5,383
Later than 1 year and no later than 5 years	**7,154**	9,481
Total	**10,910**	14,864

Where the Group is the lessor

As at 31 December 2017, the Group had the following rental income receivable under non-cancellable operating lease for its factory premise in PRC as follows:

The Group	2017 HK$'000	2016 HK$'000
Not later than 1 year	**316**	208
Later than 1 year and no later than 5 years	**237**	–
Total	**553**	208

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

22 Significant related party transactions

In the normal course of business, the Group purchases services from related parties. Significant transactions with related parties, other than those disclosed elsewhere in the financial statements are as follows:

The Group	**2017** **HK$'000**	2016 HK$'000
Related parties (companies owned by the directors of the Company)		
Office rental expenses	**562**	553
Retainer fee expense	**203**	206

23 Financial risk management objectives and policies

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 of unpredictability of financial markets on the Group's and the Company's financial performance.

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 and the Company's activities. The Group and the Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all the 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 indicated below.

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.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group and the Company to incur a financial loss. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group and the Company adopt 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 and the Company adopt the policy of dealing only with high credit quality counterparties.

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

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For the Financial Year Ended 31 December 2017

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

Credit risk (Cont'd)

The Group and the Company have established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group and the Company grant 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 and the Company'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 and the Company evaluate whether there is any objective evidence that trade and other receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group and the Company base the estimates on the ageing of the 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 and the Company's assessment of their creditworthiness and in accordance with the Group's and the Company's policy.

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

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 Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant.

Since the Group and the Company trade only with recognised and creditworthy third parties, there is no requirement for collateral.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's and the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group and the Company focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Credit risk (Cont'd)

Exposure to credit risk

As at 31 December 2017, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position as disclosed in Note 7 to the financial statements.

Credit risk concentration profile

As at 31 December 2017, the Group has concentration of credit risk of approximately 56% (2016 - 32%) and 88% (2016 - 64%) of the Group's trade receivables from the Group's largest customer and the three largest customers, respectively.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

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 table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

The Group	**Carrying amount HK$'000**	**Contractual cash flows HK$'000**	**Less than 1 year HK$'000**	**Between 1 and 5 years HK$'000**
2017				
Financial liabilities				
Trade and other payables (Note 12)	**59,027**	**59,027**	**59,027**	**–**
Total undiscounted financial liabilities	**59,027**	**59,027**	**59,027**	**–**
2016				
Financial liabilities				
Trade and other payables (Note 12)	71,445	71,445	71,445	–
Total undiscounted financial liabilities	71,445	71,445	71,445	–

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Liquidity risk (Cont'd)

The Company	Carrying amount HK$'000	Contractual cash flows HK$'000	Less than 1 year HK$'000	Between 1 and 5 years HK$'000
2017				
Financial liabilities				
Trade and other payables (Note 12)	**5,044**	**5,044**	**5,044**	**–**
Total undiscounted financial liabilities	**5,044**	**5,044**	**5,044**	**–**
2016				
Financial liabilities				
Trade and other payables (Note 12)	3,956	3,956	3,956	–
Total undiscounted financial liabilities	3,956	3,956	3,956	–

Management is exploring fund raising options, including rights issue exercise, to enable the Group and the Company to have adequate funds to meet all its obligations in a timely and cost-effective manner.

The State Administration of Foreign Exchange of the PRC imposes certain control over foreign currencies. 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.

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 its bank balances at floating rates which are contractually repriced at intervals of less than 6 months (2016 - less than 6 months) from the end of the reporting period. All other financial assets and liabilities are interest-free. Therefore, impact from changes in interest rates is minimal.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

Foreign currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the United States dollars in which substantially all of the Group's sales are denominated in and Renminbi for the purchase of raw materials used in the production process in the Peoples' Republic of China.

As the Hong Kong dollars are pegged to the United States dollars, the directors of the Company consider that any reasonably possible changes in the United States dollars exchange rate would not have a material effect on the Group's results and equity. At the reporting date, the Group holds cash and bank balances denominated in Renminbi, Singapore dollars and Euros as well as trade and other receivables, balances payables to suppliers and tax payable that are denominated in Renminbi.

The Group's exposures in financial instruments to Renminbi, Euros and Singapore dollars are mainly as follows:

The Group	S$ HK$'000	Euro HK$'000	Renminbi HK$'000	Total HK$'000
At 31 December 2017				
Trade and other receivables	**–**	**632**	**27,930**	**28,562**
Cash and bank balances	**471**	**1,381**	**835**	**2,687**
Trade and other payables	**–**	**(230)**	**(47,214)**	**(47,444)**
Net exposure	**471**	**1,783**	**(18,449)**	**(16,195)**
At 31 December 2016				
Trade and other receivables	–	1,717	9,480	11,197
Cash and bank balances	957	3,881	17,856	22,694
Trade and other payables	–	–	(62,792)	(62,792)
Net exposure	957	5,598	(35,456)	(28,901)

Sensitivity analysis

A 10 per cent strengthening of Renminbi, Euros, and Singapore dollars against Hong Kong dollars would have increased loss before tax by HK$1.6 million (2016 - HK$2.9 million). A 10% weakening of Renminbi, Euros, and Singapore dollars against Hong Kong dollars would have had the equal but opposite effect on the statement of comprehensive income. This analysis assumes that all other variables, in particular interest rate remains constant.

Market price risk

The Group is exposed to price fluctuations of raw materials used in the production of the Group's products, which are influenced by regional supply and demand conditions. Price fluctuations of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any derivative instruments to hedge the potential price change.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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

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 cash equivalents, and trade and other payables 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.

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

The Group	**2017** **HK$'000**	2016 HK$'000
Loans and receivables		
Trade and other receivables (Note 7)	**52,931**	75,168
Cash and cash equivalents (Note 8)	**39,718**	61,198
	92,649	136,366
Financial liabilities at amortised cost		
Trade and other payables (Note 12)	**59,027**	71,445
The Company		
Loans and receivables		
Trade and other receivables (Note 7)	**–**	71,064
Cash and cash equivalents (Note 8)	**3,192**	4,820
	3,192	75,884
Financial liabilities at amortised cost		
Trade and other payables (Note 12)	**5,044**	3,956

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

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.

The Group and the Company monitor capital using capital net debt ratio, which is net debt divided by total capital plus debt. The Group and the Company include within net debt, trade and other payables, and tax payables, less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

	The Group		The Company	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other payables (Note 12)	**64,815**	71,791	**5,044**	3,956
Cash and cash equivalents (Note 8)	**(39,718)**	(61,198)	**(3,192)**	(4,820)
Net Debt/(Cash)	**25,097**	10,593	**1,852**	(864)
Equity attributable to the owners of the Company				
Total capital	**50,834**	99,119	**3,077**	144,914
Capital net debt	**75,931**	109,712	**4,929**	NA
Capital net debt ratio	**33%**	10%	**38%**	NA

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

25 Dividends

The Group and The Company	2017 HK$'000	2016 HK$'000
Ordinary dividends paid:		
Final dividend of HK$0.045 (2016 - HK$0.0665) per ordinary share in respect of the previous financial year	**1,816**	2,693

26 Subsequent events

On 1 March 2018, the Company announced the re-composition of the Board of Directors as follows:-

- Tan Tien Hin Winston appointed as Non-Executive Chairman;
- Tse Kin Man relinquished the role as Executive Chairman and assume the role of Chief Executive Officer ("CEO"); and
- Chiu Kwong Fai relinquished the role as Deputy Executive Chairman and assume the role of Deputy CEO.

SHAREHOLDINGS STATISTICS

As at 14 March 2018

Class of shares	:	Ordinary shares of HK$0.50 each
Authorised share capital	:	HK$200,000,000
Issued and fully paid-up capital (including Treasury Shares)	:	HK$20,249,996.50
Issued and fully paid-up capital (excluding Treasury Shares)	:	HK$20,023,096.50
No. of Issued Shares (Excluding Treasury Shares)	:	40,046,193
Number / Percentage of Treasury Shares	:	453,800 (1.13%)
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 - 99	114	11.86	4,343	0.01
100 - 1,000	355	36.94	170,230	0.43
1,001 - 10,000	354	36.84	1,478,240	3.69
10,001 - 1,000,000	131	13.63	9,535,672	23.81
1,000,001 and above	7	0.73	28,857,708	72.06
	961	100.00	40,046,193	100.00

SUBSTANTIAL SHAREHOLDERS

(As recroded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Konkin Limited	11,895,750	29.71	0	0.00
Chiu Kwong Fai (Note 1)	3,000,000	7.49	11,895,750	29.71
Tse Kin Man (Note 1)	3,000,000	7.49	11,895,750	29.71
Winmark Investments Pte Ltd (Note 2)	1,000	0.002	4,299,000	10.74
Tan Tien Hin, Winston (Note 3)	0	0	4,300,000	10.74
Amy Lim Sioh Tin (Note 3)	0	0	4,300,000	10.74
Ang Kong Hua (Note 4)	2,457,748	6.14	2,010,000	5.02

Notes -

1. Tse Kin Man and Chiu Kwong Fai are deemed to be interested in the shares held by Konkin Limited ("Konkin") by virtue of their shareholdings of 50% each in Konkin.

2. Winmark Investments Pte Ltd is deemed interested of 4,299,000 shares held by HL Bank Nominees (S) Pte Ltd.

3. Tan Tien Hin, Winston and Amy Lim Sioh Tin are deemed to be interested in the shares held by Winmark Investments Pte Ltd ('Winmark") by virtue of their shareholdings of 50% each in Winmark.

4. Ang Kong Hua has deemed interested in 2,010,000 shares held by Raffles Nominees (Pte) Ltd.

SHAREHOLDINGS STATISTICS

As at 14 March 2018

TWENTY LARGEST SHAREHOLDERS AS AT 14 MARCH 2018

No.	Name	No. of Shares	%
1	KONKIN LIMITED	11,895,750	29.71
2	HL BANK NOMINEES (S) PTE LTD	4,299,000	10.74
3	CHIU KWONG FAI	3,000,000	7.49
4	TSE KIN MAN	3,000,000	7.49
5	RAFFLES NOMINEES (PTE) LTD	2,884,450	7.20
6	ANG KONG HUA	2,457,748	6.14
7	CITIBANK NOMINEES SINGAPORE PTE LTD	1,320,760	3.30
8	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	933,240	2.33
9	CHUA KENG LOY	766,300	1.91
10	OCBC SECURITIES PRIVATE LTD	703,740	1.76
11	TAN YONG HUI BRIAN (CHEN YONGHUI BRIAN)	515,000	1.29
12	GOH GEOK LING	400,060	1.00
13	MAYBANK KIM ENG SECURITIES PTE LTD	395,178	0.99
14	ABN AMRO CLEARING BANK N.V.	393,100	0.98
15	DBS VICKERS SECURITIES (S) PTE LTD	340,880	0.85
16	TENGKU SINANNAGA @ CHENG MIN SIONG @ ZENG MING XIONG	260,000	0.65
17	DBS NOMINEES PTE LTD	254,280	0.63
18	P'NG CHIN GUAN	229,000	0.57
19	CHAN CHEE MENG	217,000	0.54
20	GOH TCHENG HION	165,020	0.41
		34,430,506	85.98

PERCENTAGE OF SHAREHOLDERS IN PUBLIC'S HANDS

Approximately 33.23% of the Company's share are held in the hands of public. Accordingly, the Company had 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 **PLASTOFORM HOLDINGS LIMITED** ("the **Company**") will be held at Amber Room, Level 3, Grand Mercure Singapore Roxy, 50 East Coast Road, Roxy Square, Singapore 428769 on Thursday, 26 April 2018 at 10:30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To note the retirement of Mr. Fong Hean Chuan as a Director of the Company pursuant to Bye-Law 86(3) of the Company's Bye-Laws.
[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$160,000 for the year ending 31 December 2018, to be paid monthly in arrears. (2017: S$160,000) **(Resolution 2)**

4. To re-appoint Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 3)**

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**

That pursuant to the Companies Act of Bermuda and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, 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,

NOTICE OF ANNUAL GENERAL MEETING

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 be limited as follows:

(A) without prejudice to sub-paragraph (1)(B) below, the aggregate number of shares to be issued shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and 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 twenty per cent. (20%) of the total number of issued shares (excluding subsidiary holdings and treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) ("**General Limit**");

(B) in addition to the General Limit, the aggregate number of shares to be issued by way of renounceable rights issues on a pro rata basis ("**Renounceable Rights Issues**") shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding subsidiary holdings and treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) ("**Additional Limit**");

(C) where an issue of shares is to be issued by way of Renounceable Rights Issues, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit;

(D) where an issue of shares is to be issued otherwise than by way of Renounceable Rights Issue, that issue may only use the General Limit, but only to the extent of the then remaining General Limit;

(E) an issue of shares that is not for a financing purpose may only use the General Limit, but the number of such shares that may be issued shall be limited to the numerical number of the then remaining Additional Limit;

(2) the General Limit and the Additional Limit shall not, in aggregate, exceed 100 per cent. (100%) of the total number of issued shares (excluding subsidiary holdings and treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(3) no shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds fifty per cent. (50%) of the total number of issued shares (excluding subsidiary holdings and treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(4) (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 subsidiary holdings and treasury shares) shall be based on the total number of issued shares (excluding subsidiary holdings and treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

NOTICE OF ANNUAL GENERAL MEETING

(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;

(5) 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), all applicable legal requirements under the Companies Act of Bermuda and the Bye-laws of the Company; and

(6) 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 (ii)] **(Resolution 4)**

7. **Authority to grant awards and allot and issue shares under the Plastoform Performance Share Plan**

That the Directors be authorised and empowered to grant awards ("Awards") in accordance with the provisions of the Plastoform Performance Share Plan ("Plan") and pursuant to the Companies Act of Bermuda and Rule 845 of the Listing Manual of the Singapore Exchange Securities Trading Limited, to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be issued pursuant to the vesting of Awards provided that the aggregate number of shares to be issued or issuable pursuant to the Plan and any other share based schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding subsidiary holdings and 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 (iii)] **(Resolution 5)**

8. **Renewal of Share Buy-Back Mandate**

That for the purposes of the Companies Act of Bermuda and otherwise in accordance with the rules and regulations of The Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised –

(a) to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten percent (10%) of the total number of issued shares (excluding subsidiary holdings and treasury shares) in the capital of the Company (as ascertained as at the date of this Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Appendix to the Annual Report 2017 accompanying this Notice, and that this mandate shall, unless revoked or varied by the Company in 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; and

NOTICE OF ANNUAL GENERAL MEETING

(b) to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (iv)] **(Resolution 6)**

By Order of the Board

Liu Wai Man
Cheng Lisa
Company Secretaries

Singapore, 10 April 2018

Explanatory Notes:

(i) Mr. Fong Hean Chuan had informed the Company that he would not be seeking re-election at this Annual General Meeting. Accordingly, he would retire as a Director of the Company after the conclusion of the Annual General Meeting. He will cease to be Chairmen of the Nominating Committee and Remuneration Committee and a member of Audit Committee.

(ii) The Ordinary Resolution 4 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 the aggregated of (i) 50% of the total number of issued shares (excluding subsidiary holdings and 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 (the General Limit) and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued shares (subsidiary holdings and treasury shares) in the capital of the Company ("Additional Limit").

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding subsidiary holdings and treasury shares) will be calculated based on the total number of issued shares (excluding subsidiary holdings and 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.

The authority for the Additional Limit is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further shares shall be issued pursuant to this Resolution, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company ("the Enhanced Rights Issue Limit"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act of Bermuda requiring the Company to seek shareholders' approval and disclosure requirements under the Listing Manual on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders as it widens fund-raising avenues available to the Company, thereby enabling it to respond to financing needs to meet on-going changes and opportunities in the business environment in a more expedient and cost-efficient manner.

The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

NOTICE OF ANNUAL GENERAL MEETING

(iii) The Ordinary Resolution 5 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 earlier, to grant Awards in accordance with the provisions of the Plan and allot and issue fully-paid shares in the Company as may be required to be issued pursuant to the vesting of Awards under the Plan. The aggregate number of shares which may be issued pursuant to the Share Plan and any other share scheme which the Company may have in place shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding subsidiary holdings and treasury shares) in the capital of the Company from time to time.

(iv) The Ordinary Resolution 6 proposed in item 8 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 the date on which purchases and acquisitions of shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated, whichever is the earlier, to purchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding subsidiary holdings and treasury shares) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution are set out in Appendix to the Annual Report 2017 accompanying this notice.

Notes:

1. A depositor holding Shares through The Central Depository (Pte) Limited ("Depositor") who is an individual and who wishes to attend the Annual General Meeting (the "Meeting") in person need not take any further action and can attend and vote at the Meeting as The Central Depository (Pte) Limited's proxy without lodgement of any proxy form.

2. A Depositor who is an individual but is unable to attend the Meeting personally and wishes to appoint a nominee(s) as The Central Depository (Pte) Limited's proxy to attend and vote on his/her behalf, must complete, sign and return the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of Singapore Share Transfer Agent, B.A.C.S. Private Limited, 8 Robinson Road #03-00, ASO Building, Singapore 048544, at least forty-eight (48) hours before the time appointed for holding the Meeting. Similarly, a Depositor who is a corporate and who wished to attend the Meeting must submit the Depositor Proxy Form for the appointment of nominee(s) to attend and vote at the Meeting on its behalf.

3. If a member with shares registered in his name in the Register of Members is unable to attend the Meeting and wishes to appoint a proxy/proxies to attend and vote at the Meeting in his stead, then he should complete and sign the relevant Member Proxy Form and deposit the duly completed Member Proxy Form at the office of Singapore Share Transfer Agent, B.A.C.S. Private Limited, 8 Robinson Road #03-00, ASO Building, Singapore 048544, at least forty-eight (48) hours before the time of the Meeting.

4. If a person who has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members is unable to attend the Annual General Meeting and wishes to be represented at the meeting, he should use the Depositor Proxy Form and the Member Proxy Form for, respectively, the Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members.

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

6. A proxy need not be a member.

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.

PlastoForm Holdings Limited