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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE UNAUDITED FINANCIAL STATEMENTS FOR THIRD QUARTER ENDED 30 SEPTEMBER 2018

The Board of Directors (the "**Board**") of PLASTOFORM HOLDINGS LIMITED (the "**Company**") refers to the following queries raised by the SGX-ST on 12 December 2018 and would like to provide additional information in relation to the Company's unaudited financial statements for third quarter ended 30 September 2018 ("**3Q2018**"), as follows:

SGX-ST's Query 1:

On page 1 of the Company's 3Q2018 Results, the Company disclosed that for three months ended 30 September 2018, Revenue decreased by 73.7% and Cost of sales decreased by 55.9%, please explain why Cost of sales decreased by only 56% when Revenue decreased by 74%. Please provide breakdown on Cost of sales and elaborate on the material items.

Company's response:

There was a decrease in sales in 3Q2018 and most production capacities had become idle. As the Company was obliged to pay factory costs and employees' salaries due to the contractual obligations and legal requirements in PRC, the decreased in cost of sales was not in tandem with the decreased in revenue of the Company.

Below is the breakdown of material items of "Cost of Sales":

	3Q 2018 HK$' M	**% of Sales**	**3Q 2017 HK$' M**	**% of Sales**	**Explanations**
Materials	3.2	43.2%	15.4	54.6%	
Direct labour costs	1.1	14.9%	3.6	12.8%	Output in 3Q 2018 was very low, but the Company was still required to pay statutory minimum wages to direct labour.
Indirect labour costs	1.1	14.9%	2.4	8.5%	Fixed costs
Depreciation	-		0.8	2.8%	Plant & equipment were fully impaired in 2017
Water & electricity	0.1	1.4%	0.6	2.1%	Most activities in 3Q 2018 were stopped
Rental	0.6	8.1%	0.6	2.1%	Fixed costs
Miscellaneous factory overhead	0.4	5.4%	0.8	2.8%	Remaining costs in 3Q 2018 were mainly fixed costs.
Inventory change – DL + OH	3.7	49.7%	-1.1	-3.7%	3Q 2018 sales were mainly from inventory produced in previous quarter(s).
Total:	**10.2**	**137.6%**	**23.1**	**82.0%**	

SGX-ST's Query 2:

The Company disclosed General and administrative expenses for nine months ended 30 September 2018 amounting to HK$62.59 million. Please provide breakdown of the amount and show with comparison period. Please explain why is the General and administrative expenses so high and why it increased by 74.9% to HK$62.59 million when Revenue decreased by 24% to HK$43.9 million.

Company's response:

The increase was mainly due to a provision of compensation for relinquishing of directors' service agreement amounting to HK$4.3 million, impairment loss of trade receivables of HK$23.3 million and bad debts written off of HK$0.6 million.

Below is the breakdown of administrative expenses and comparison with figures for nine months ended 30 September 2018:

	9 months ended 30/9/2018 HK$'M	**9 months ended 30/9/2017 HK$'M**	**Explanations**
Directors' remuneration	7.0	3.5	Included HK$4.3m for provision of compensation for relinquishing of directors' service agreements in 2018.
Staff costs	20.6	22.6	Included staffs in R&D, Engineering, Purchasing, Warehouse, HR & Admin, IT, Accounts etc.
Impairment loss on account receivable/bad debts written off	23.9	-	
Impairment loss of plant & equipment	0.9	-	
Rent & rates	2.0	2.0	
Legal fee	0.8	0.1	The increase was mainly due to additional legal fee for recovery of doubtful debts.
Professional fee	1.2	0.5	Additional costs incurred for plant shutdown & funds raising.
Audit fee	1.0	1.1	
Miscellaneous	4.4	6.1	Included utilities, repair, listing fee, professional fee, entertainment & travelling, communications, insurance, recruitment, consumable, cleaning expenses etc.
Exchange loss/(gain)	0.8	- 0.1	
Total:	62.6	35.8	

The Company had on 17 September 2018 and 29 November 2018 announced that as part of the Group's continuing efforts to restructure its business and improve its operational efficiency and cost efficiency, the Group had commenced an insolvency winding up of Plastoform Electronics (Shenzhen) Company Limited, its wholly-owned subsidiary in China.

SGX-ST's Query 3:

On page 8 of the Company's 3Q2018 Results, the Company disclosed that "General and administrative expenses increased by 23.7% or HK$2.7 million from HK$11.3 million in 3Q 2017 to HK$14.0 million in 3Q 2018 mainly due to a provision for compensation for relinquishing of directors' service agreements". Please explain why the Company has to pay for compensation and what is the reason for relinquishing the directors' service agreements.

Company's response:

The Company had entered into a 3-year fixed service agreements with the two executive directors, namely Mr. Tse Kin Man and Mr. Chiu Kwong Fai. According to the service agreements, the Company has the contractual liabilities to pay Mr. Tse and Mr. Chiu until the end of contract period (i.e. 31 August 2019).

Mr. Tse and Mr. Chiu are the founders of the Company and also took up the executive roles of the Company for a considerable period. However, they are approaching retirement age and the NC and the Board considered that, in the Company's best interest, it should appoint a CEO or their successors to take care of the Company as soon as possible. As an interim action, the Company appointed Mr. Long Ming Fai Edwin on 17 July, 2018 as an Executive Director and Interim CEO (who had resigned on 11 September 2018), whose main duty was to search and appoint a suitable candidate for the role of CEO of the Company. Meanwhile, Mr. Tse and Mr. Chiu agreed to re-designate their roles as non-executive directors, but continue to provide consultative advice or support, if requested.

Pursuant to their service agreements, a provision of compensation for relinquishing of directors' service agreements was made accordingly. However, in consideration of the current business difficulties, Mr. Tse and Mr. Chiu agreed to defer the payments until the cash flow of the Company has improved.

SGX-ST's Query 4:

On page 9 of the Company's 3Q2018 Results, the Company disclosed that "A provision for terminating the service agreements, totally HK$4.3 million was made accordingly in 3Q 2018", please:

a. explain how the amount was calculated;
b. disclose the directors' individual salaries; and
c. disclose when were the service agreements signed.

Company's response:

a. The provision for terminating the service agreements was calculated based on Mr. Tse and Mr. Chiu's last monthly salaries multiplied by the remaining service months up to the expiry of their contractual period i.e. 31 August 2019.

b. A breakdown of level and mix of remuneration paid or payable to Mr. Tse and Mr. Chiu is set out in the remuneration bands below:

Executive Directors	Salaries %	Bonus %	Benefits in Kind %	Fees %	Termination Provision %	Total %
S$550,001 to S$650,000 per annum Tse Kin Man	33.9	-	0.8	-	65.3	100
S$450,001 to S$550,000 per annum Chiu Kwong Fai	34.0	-	0.4	-	65.6	100

The aggregate salaries paid to these two Directors from January to July 2018 were HK$2.2 million (equivalent to S$0.4 million), not including the provision made for terminating the service agreements of HK$4.3 million (equivalent to S$0.7 million)). No salary has been paid to them since then.

c. The Company entered into the service agreements with Mr. Tse and Mr. Chiu on 16 August 2016 and 12 August 2016 respectively.

SGX-ST's Query 5:

The Company disclosed that "impairment on accounts receivables of HK$23.3 million made in 2018". Please disclose:

i. Company's plans to recover the receivables;
ii. Names of the customers and whether they are major customers;
iii. How long are the debts outstanding and when were the sales reported; and
iv. What actions did the Audit Committee undertake to check:

  a. What were the actions taken by the management to recover the receivables;
  b. Has the board questioned the reasonableness of the methodologies used to determine the values of write-offs or impairments of these receivables; and
  c. Are these receivables significant enough to cast doubt on whether the Company can continue as a going concern.

Company's response:

i. The Company had taken legal actions against customers in recovering the doubtful debts. In addition, the Company had also continuously negotiating with these customers for final settlement. More details are disclosed in items ii & iii below.

ii & iii Impairment on accounts receivables of HK$23.3 million mainly consisted of:

Name of customers	**Major customers (Y/N)?**	**Debtor Ageing (up to 30.9.2018)**	**When the sales reported**	**Current status update**
Monster LLC	Y	Around 6 to 12 months	From Oct 2017 to Apr 2018	Entered into a settlement agreement in November 2018, in which part of outstanding will be offset against licensing royalty and balances will be repaid by instalments
Shenzhen Yuanchuang Int'l Trading Co Ltd (a PRC buying company appointed by Brookstone Inc)	Y	Around 7 to 12 months	From Nov 2017 to Feb 2018	Obtained court judgement in September 2018, but customer applied for appeal in October 2018
Netify Technology Limited	N	Around 11 months	Nov 2017	Settled in November 2018.

iv.

a. Please refer to item i mentioned above.

b. Yes. The Board determined the values of write-offs or impairments of these receivables based on (i) management's process over the monitoring of trade receivables; (ii) the collection process and assessment of allowance for doubtful trade receivables; (iii) consideration amongst other factors, such as credit risk, past payment history, settlement arrangements, subsequent receipts; and (iv) on-going business dealings with the debtors involved.

c. The Company believes that it can continue to be a going concern. The Management had taken actions to recover the outstanding account receivables and appropriate actions taken to minimize the impact arising from non-collected account receivables, including, but not limited to reduction of costs and shutdown of the PRC plant.

SGX-ST's Query 6:

The Company also disclosed that it has signed the brand licensing agreement with Monster Inc. for the Asia Pacific market. Please disclose:

a. What does Monster Inc. do;
b. How much was the brand licensing agreement signed for;
c. When was the brand licensing agreement signed; and
d. Are there any payments made.

Company's response:

a. Monster Inc. is now the world's leading manufacturer of high performance cables that connect audio/video components for home, car and professional use as well as computers and computer games. For more details, please click the link below: https://www.monsterstore.com/pages/about-monster.

b. There was no specific amount stated in the brand licensing agreement with Monster Inc.

c. The brand licensing agreement was signed in November 2018.

d. No payment was made by the Company. An amount of US$0.65 million due by Monster Inc. to the Company has been used to offset as prepayment to Monster Inc. for the licensing royalty fee.

BY ORDER OF THE BOARD

Tan Tien Hin Winston
Non-Executive Chairman and Director

17 December 2018