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

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE LISTING MANUAL OF THE SGX-ST – DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

In compliance with Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Board of Directors (the "**Board**") of Plastoform Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") would like to announce that the Company's Independent Auditor, Foo Kon Tan LLP, has issued a Disclaimer of Opinion in its Independent Auditor's Report in relation to the audited financial statements of the Group for the financial year ended 31 December 2018 ("**FY2018**").

The Independent Auditor's Report in relation to the audited financial statements for FY2018 is annexed to this Announcement.

BY ORDER OF THE BOARD

Tan Tien Hin Winston
Non-Executive Chairman and Director

1 April 2019

Independent auditor's report to the Members of Plastoform Holdings Limited and its subsidiaries

(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 2018, 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

(i) <u>De-consolidation of subsidiary, Plastoform Electronics (Shenzhen) Company Limited</u>

Note 5 and Note 20 to the financial statements describe the loss of control over its subsidiary, Plastoform Electronics (Shenzhen) Company Limited ("PESZ"). On 17 September 2018, PESZ ceased operations due to challenges faced in respect of debts collections from its major customers and insufficient sales order to sustain its operations. Upon cessation of production, a liquidation application was submitted to the Court in Peoples' Republic of China ("PRC"). The application was approved and liquidators were appointed on 19 November 2018 and consequently the Group lost control of PESZ on that date.

As a result of the Group's derecognition of PESZ, based on the carrying amounts of the net identifiable assets of PESZ as at 19 November 2018 as disclosed in Note 20 to the accompanying financial statements, the Group recognized a gain of HK$14.3 million in profit or loss.

The loss of control places a limitation on the scope of our work as the accounting and other records supporting the transactions during the financial year were not available. Efforts were made by the management and directors to request the liquidator to grant us access to the accounting records and supporting documents but were not successful. Accordingly, because of the limitation which significantly impedes our ability to carry out further audit procedures or satisfy ourselves through alternative means, we were unable to obtain sufficient appropriate audit evidence:

(a) to ascertain whether the results of PESZ for the period from 1 January 2018 to 19 November 2018 contributing to loss from discontinued operations amounting to HK$29.4 million were materially misstated;

(b) to ascertain whether the carrying amounts of the net identifiable assets and resultant gain on deconsolidation of PESZ amounting to HK$14.3 million and related disclosures were appropriate;

(c) to ascertain whether the Group's reported cash flows were materially misstated due to PESZ's activities during the period from 1 January 2018 to 19 November 2018; and

(d) to conclude whether the Group's accumulated reserves were materially misstated due to results of PESZ for the period from 1 January 2018 to 19 November 2018 contributing to net loss from discontinued operations amounting to HK$15.1 million.

Independent auditor's report to the Members of Plastoform Holdings Limited and its subsidiaries

Basis for Disclaimer of Opinion (Cont'd)

(i) De-consolidation of subsidiary, Plastoform Electronics (Shenzhen) Company Limited (Cont'd)

As a result of the above, we are unable to determine the adjustments, if any, to be made and the possible effects on the financial statements that could be both material and/or pervasive. Our opinion on the accompanying financial statements is also modified because of the possible misstatement of PESZ's financial information on the comparability of the current year's figures and the comparative figures.

(ii) Appropriateness of going concern assumption

We draw attention to Note 2(a) 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$248.1 million in FY 2016 to HK$110.1 million (comprising continuing and discontinued operations) in FY 2017 and HK$46.7 million (comprising continuing and discontinued operations) in FY2018 due to emergence of smart audio products which directly affected the demand for the Group's traditional Bluetooth speakers. The Group reported its fourth consecutive year of losses of HK$ 54.4 million (2017 - HK$47.9 million and 2016: HK$7.6 million) and reported net cash outflows from operating activities of approximately HK$28.5 million (2017 - HK$14.8 million). As at 31 December 2018, the Group and the Company have capital deficit of HK$0.9 million (2017 - surplus of HK$50.8 million) and HK$3.2 million (2017 - surplus of HK$3.1 million), respectively. The Group also closed its production facility in Shenzhen in September 2018 and the subsidiary, PESZ was subsequently placed under liquidation in November 2018.

As at 31 December 2018, the Group and the Company has cash and bank balances of HK$8.6 million and HK$0.9 million, respectively (2017 - HK$39.7 million and HK$3.2 million), and the monthly cash burn rate of the Group for the month of January 2019 and February 2019 was HK$1.5 million and HK$1.1 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 and the Group has diversified into a new business model, as announced in its FY 2018 full year results announcement on 18 February 2019.

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$10.5 million due from a major customer. 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 2019. 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.

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.

The auditor's report of the Group dated 29 March 2018 for the financial year ended 31 December 2017 included a similar basis for disclaimer on this matter.

Independent auditor's report to the Members of Plastoform Holdings Limited and its subsidiaries

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.

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 5 June 2018 and 2 June 2017, the Company announced that the Singapore Exchange Securities Trading Limited (the "SGX-ST") has notified the Company that pursuant to Rule 1311, it will be placed on the Watch-list due to the Financial Entry Criteria ("FEC") and Minimum Trading Price ("MTP") Entry Criteria with effect from 5 June 2018 and 5 June 2017 respectively. The Company must take active steps to meet the requirements under Rule 1314 of the Listing Manual of the SGX-ST (the "Listing Manual") for its removal from Watch-List within 36 months from 5 June 2018 and 5 June 2017 respectively, 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.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 1 April 2019