PLASTOFORM HOLDINGS LIMITED
(Incorporated in Bermuda)
(Co. Reg. No: 34171)

UNAUDITED RESULTS FOR FULL YEAR ENDED 31 DECEMBER 2018

The Directors of Plastoform Holdings Limited wish to announce the following unaudited results of the Group for full year ended 31 December 2018.

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income (in HK$'000)

	Group					
	Three Months Ended 31 December			Year Ended 31 December		
	2018	2017	**%**	**2018**	2017	**%**
	HK$'000	HK$'000	Change	**HK$'000**	HK$'000	Change
CONTINUING OPERATIONS						
Revenue	**2,778**	27,918	(90.0%)	**43,653**	83,368	(47.6%)
Cost of sales	**(1,807)**	(20,321)	(91.1%)	**(44,664)**	(69,776)	(36.0%)
Gross Profit/(Loss)	**971**	7,597	(87.2%)	**(1,011)**	13,593	N/M
Other operating income	**1,206**	1,191	1.3%	**1,930**	1,284	50.3%
Selling and distribution expenses	**(1,056)**	(1,788)	(40.9%)	**(5,432)**	(6,435)	(15.6%)
General and administrative expenses	**(2,329)**	(6,484)	(64.1%)	**(34,751)**	(24,527)	41.7%
Finance cost	**(2)**	(25)	(92%)	**(34)**	(59)	(42.4%)
Profit/(Loss) before tax from continuing operations	**(1,210)**	491	N/M	**(39,298)**	(16,145)	143.4%
Income tax expense	**-**	-		**(6)**	(12)	(50%)
Profit/(Loss) from continuing operations, net of tax	**(1,210)**	491	N/M	**(39,304)**	(16,157)	143.2%
DISCONTINUED OPERATIONS						
Loss from discontinued operations, net of tax	**(675)**	(10,842)	(93.8%)	**(29,445)**	(31,777)	(7.4%)
Net effect on deconsolidation of subsidiary[a]	**16,588**	-	N/M	**16,588**	-	N/A
Profit/(Loss) for the year	**14,703**	(10,351)	N/M	**(52,161)**	(47,934)	8.8%
Other comprehensive income/(loss) for the period, net of tax:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations (at nil tax)	**62**	(442)	N/M	**435**	1,555	(73.0%)
Net other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods	**62**	(442)	N/M	**435**	1,555	(73.0%)
Total comprehensive profit/(loss) attributable to owners of the Company	**14,765**	(10,793)	N/M	**(51,726)**	(46,379)	11.5%

1(a)(ii) Profit/ (loss) before tax is arrived at after charging/(crediting) the following significant items:

	Group					
	Three Months Ended 31 December			Year Ended 31 December		
	2018	2017	%	**2018**	2017	%
	HK$'000	HK$'000	Change	**HK$'000**	HK$'000	Change
CONTINUING OPERATIONS						
Interest income	**87**	1	N/M	**89**	4	N/M
Depreciation of plant and equipment	**6**	145	(95.9%)	**30**	643	(95.3%)
Impairment/(reversal) loss on trade receivables	**(480)**	-	N/M	**10,693**	-	N/M
Bad trade debts written off	**-**	-	N/M	**618**	-	N/M
Impairment loss on fixed assets	**-**	1,503	(100.0%)	**6**	1,503	(99.6%)
Net exchange gain/(loss)	**38**	349	(89.1%)	**265**	1,205	(78.0%)
DISCONTINUED OPERATIONS						
Interest income	**-**	229	(100.0%)	**5**	241	(97.9%)
Depreciation of plant and equipment	**15**	1,251	(98.8%)	**86**	4,270	(98.0%)
Impairment/(reversal) loss on trade receivables	**(104)**	-	N/M	**11,986**	-	N/M
Impairment loss on fixed assets	**-**	7,451	(100.0%)	**935**	7,451	(87.5%)
Net exchange gain/(loss)	**(42)**	(14)	200.0%	**(1,071)**	(785)	36.4%

N/M: Not meaningful

Note

a. On 17 September, 2018, the company announced that as part of the Group's continuing efforts to restructure its business and improve its operational efficiency and cost effectivities, it commenced to undertake the closure of the production facility of its wholly-owned subsidiary, Plastoform Electronics (Shenzhen) Company Ltd ("PESZ") in China. The Company worked with staff representatives to apply to the court for PESZ's liquidation.

   On 19 November, 2018, the Court of PRC accepted the application by the staff representatives to commence an insolvency winding up of PESZ (the "Liquidation"). Shenzhen Guang Peng CPA Firm has been nominated by the Court in PRC, to act as the liquidator of PESZ, for the purposes of winding up the affairs of PESZ.

   The Group deconsolidated the assets and liabilities of PESZ on 19 November 2018 and recognized its operating results from 1 January 2018 to 19 November 2018 in the Groups' consolidated statement of comprehensive income for the financial year ended 31 December 2018, as the control of PESZ has been passed to the liquidator.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statements of Financial Position (in HK$'000)

	Group		Company	
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
ASSETS				
Non-current assets				
Plant and equipment	**3**	863	**-**	-
Intangible asset – club memberships	**460**	460	**-**	-
Investments in subsidiaries	**-**	-	**4,751**	4,751
	463	1,323	**4,751**	4,751
Current assets				
Inventories	**976**	19,771	**-**	-
Trade receivables	**1,707**	51,056	**-**	-
Deposits, prepayments and other receivables	**3,070**	3,781	**182**	178
Cash and cash equivalents	**8,573**	39,718	**856**	3,192
	14,326	114,326	**1,038**	3,370
Total assets	**14,789**	115,649	**5,789**	8,121
Current liabilities				
Trade payables	**615**	46,836	**-**	-
Other payables and accruals	**6,500**	11,460	**5,446**	1,485
Deposits received in advance from customers	**7,834**	5,788	**-**	-
Amount due to subsidiaries	**-**	-	**2,830**	2,828
Amount due to a shareholder	**731**	731	**731**	731
	15,680	64,815	**9,007**	5,044
Net current assets/(liabilities)	**(1,354)**	49,511	**(7,969)**	(1,674)
Net assets/(liabilities)	**(891)**	50,834	**(3,218)**	3,077
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	**20,250**	20,250	**20,250**	20,250
Share premium	**197,502**	197,502	**197,502**	197,502
Treasury share	**(1,776)**	(1,776)	**(1,776)**	(1,776)
Share option reserve	**261**	554	**261**	554
Foreign exchange translation reserve	**(2,351)**	(2,786)	**-**	-
Accumulated losses	**(214,777)**	(162,910)	**(219,455)**	(213,453)
Total equity	**(891)**	50,834	**(3,218)**	3,077

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Amount repayable in one year or less, or on demand

As at 31/12/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
HK$'000	HK$'000	HK$'000	HK$'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31/12/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
HK$'000	HK$'000	HK$'000	HK$'000
Nil	Nil	Nil	Nil

Details of any collateral

Not applicable.

1(c) A statement of cash flows for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows (in HK$'000)

	Group			
	Three Months Ended		Year Ended	
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash flow from operating activities				
Profit/ (loss) before income tax from continuing operations	**(1,210)**	491	**(39,298)**	(16,145)
Loss before income tax from discontinued operations	**15,913**	(10,842)	**(12,857)**	(31,777)
Adjustments for:				
Net effect on deconsolidation of subsidiary	**(16,588)**	-	**(16,588)**	-
Depreciation of plant and equipment	**21**	1,397	**117**	4,913
Gain on disposal of fixed assets	**(385)**	-	**(843)**	-
Impairment loss on plant and equipment	**-**	8,724	**940**	8,724
Impairment loss on Intangible asset	**-**	230	**-**	230
Provision/(reversal) for slow-moving stock	**(4,313)**	548	**(15,042)**	(571)
Inventory writtenoff	**5,363**		**15,831**	1,573
Bad debts writtenoff	**-**	-	**618**	-
Impairment/(reversal) loss on trade receivables	**(585)**	-	**22,679**	-
Plant and equipment written off	**-**	-	**-**	28
Interest expenses	**2**	26	**34**	59
Interest income	**(87)**	(230)	**(94)**	(244)
Operating cash flows before working capital changes	**(1,869)**	344	**(44,503)**	(33,210)
Changes in working capital:				
Inventories	**392**	5,046	**10,457**	(3,618)
Trade and other receivables	**(1,031)**	(26,230)	**24,794**	28,760
Trade and other payables	**381**	15,460	**(19,385)**	(6,976)
Cash generated from/(used in) operations	**(2,127)**	(5,380)	**(28,637)**	(15,044)
Interest received	**87**	230	**94**	244
Income tax paid	**-**	-	**(6)**	(12)
Net cash used in operating activities	**(2,040)**	(5,150)	**(28,549)**	(14,812)
Cash flows from investing activities				
Purchases of plant and equipment	**-**	(1,985)	**(881)**	(5,985)
Proceeds from disposal of fixed assets	**463**	-	**843**	-
Disposal of subsidiary	**(2,960)**	-	**(2,960)**	-
Net cash used in investing activities	**(2,497)**	(1,985)	**(2,998)**	(5,985)
Cash flows from financing activities				
Purchase of treasury shares	**-**	-	**-**	(90)
Dividend paid	**-**	-	**-**	(1,816)
Interest expenses	**(2)**	(26)	**(34)**	(59)
Net cash used in financing activities	**(2)**	(26)	**(34)**	(1,965)

Net decrease in cash and cash equivalents	**(4,539)**	(7,161)	**(31,581)**	(22,762)
Release of pledged bank deposit	**-**	10,952	**-**	10,952
Effect of cash and cash equivalent denominated in foreign currencies	**(62)**	163	**436**	720
Cash and cash equivalents at beginning of the period	**13,174**	35,764	**39,718**	50,808
Cash and cash equivalents at end of the period	**8,573**	39,718	**8,573**	39,718

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY (in HK$'000)

Group – 4Q 2018	Share capital	Share premium	Treasury share	Share option reserve	Translation reserve	Accumulated losses	Total equity
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
For the three months ended 31 December 2018							
Balance as at 1 October 2018	20,250	197,502	(1,776)	391	(2,289)	(229,610)	(15,532)
Profit for the period	-	-	-		-	14,703	14,703
Transfer to accumulated losses upon lapse of share option				(130)		130	-
Other comprehensive income for the period	-	-	-	-	(62)	-	(62)
Balance as at 31 December 2018	**20,250**	**197,502**	**(1,776)**	**261**	**(2,351)**	**(214,777)**	**(891)**
Group – 4Q 2017							
For the three months ended 31 December 2017							
Balance as at 1 October 2017	20,250	197,502	(1,776)	554	(2,344)	(152,559)	61,627
Loss for the period	-	-	-	-	-	(10,351)	(10,351)
Other comprehensive income for the period	-	-	-	-	(442)	-	(442)
Balance as at 31 December 2017	**20,250**	**197,502**	**(1,776)**	**554**	**(2,786)**	**(162,910)**	**50,834**

Company – 4Q 2018	Share capital	Share premium	Treasury share	Share option reserve	Accumulated losses	Total equity
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
For the three months ended 31 December 2018						
Balance as at 1 October 2018	20,250	197,502	(1,776)	391	(219,275)	(2,908)
Loss for the period	-	-	-		(310)	(310)
Transfer to accumulated losses upon lapse of share option				(130)	130	-
Balance as at 31 December 2018	**20,250**	**197,502**	**(1,776)**	**261**	**(219,455)**	**(3,218)**
Company – 4Q 2017						
For the three months ended 31 December 2017						
Balance as at 1 October 2017	20,250	197,502	(1,776)	554	(75,981)	140,549
Loss for the period	-	-	-	-	(137,472)	(137,472)
Balance as at 31 December 2017	**20,250**	**197,502**	**(1,776)**	**554**	**(213,453)**	**3,077**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on.
State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital

Details of change in the Company's share capital since the last reported period are as follows:-

Date	Type	Group and the Company	
		Number of Ordinary Shares	Shares capital and premium (HK$'000)
As at 31 December 2017 and 2018 (excluding treasury shares)		40,046,193	215,976

The Company has 453,800 treasury shares as at 31 December 2018 (31 December 2017: 453,800 treasury shares).

Share Options

The numbers of shares that may be issued on conversion of all outstanding options under performance share plan are as follows:-

	As at 31/12/2018	As at 31/12/2017
Outstanding options	4,000	31,000

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31/12/2018	As at 31/12/2017
Total number of issued shares excluding treasury shares	40,046,193	40,046,193

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not Applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not Applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's external auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

There are a number of new or revised International Financial Reporting Standards ("IFRSs") and related interpretations promulgated by International Financial Reporting Interpretations Committee ("IFRICs") that are effective for accounting periods beginning on or after 1 January 2018. The adoption of these new IFRSs did not have any material impact on the financial information of the Group for period ended 31 December 2018. Save as aforesaid, the accounting policies and methods of computation used in the preparation of the financial information of the Group for the period ended 31 December 2018 are the same as those used in the annual financial statements of the Group for the year ended 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted the new or amended IFRSs and IFRICs that are mandatory for application for financial periods beginning on or after 1 January 2018. The adoption of these new/revised IFRSs and IFRICs did not result in substantial changes to the Group's accounting policies nor any significant impact on the consolidated financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

CONTINUING OPERATIONS

	Group	
	12 months ended 31/12/2018	**12 months ended 31/12/2017**
Earnings per ordinary share based on the net profit for the period		
(a) Based on weighted average number of ordinary shares on issue (HK$ cents);	(98.1)	(40.3)
(b) On a fully diluted basis (HK$ cents)	(98.1)	(40.3)
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	40,046,193	40,046,193
Effective of potentially dilutive ordinary shares – Share options	4,000	31,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	40,050,193	40,077,193

DISCONTINUED OPERATIONS

	Group	
	Year ended 31/12/2018	**Year ended 31/12/2017**
Earnings per ordinary share based on the net profit for the period		
(b) Based on weighted average number of ordinary shares on issue (HK$ cents);	(73.5)	(73.9)
(b) On a fully diluted basis (HK$ cents)	(73.5)	(73.9)
Number of ordinary shares in issue (excluding treasury shares)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	40,046,193	40,046,193
Effective of potentially dilutive ordinary shares – Share options	4,000	31,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	40,050,193	40,077,193

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
Net asset value per ordinary shares based on issued share capital (HK$ cents)	(2.2)	126.9	(8.0)	7.7
Number of ordinary shares in issuance excluding treasury shares	40,046,193	40,046,193	40,046,193	40,046,193

Net asset value per ordinary share at the end of the financial periods presented has been computed based on the combined net assets of the Group as at the respective reporting period and the number of ordinary shares at 31 December 2018 of 40,046,193 shares (31 December 2017: 40,046,193 shares).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

4Q 2018 vs 4Q 2017

Continuing Operations

Turnover

Group turnover decreased by 90.0% or HK$25.1 million from HK$27.9 million in 4Q 2017 to HK$2.8 million in 4Q 2018. The decrease was mainly attributed to loss of two major customers' business – one sold its audio business to third party in Q3 2018 and the other transformed its business into licensing business in 4Q 2018, no new order was placed.

Gross profit and margin

Group's gross profit decreased by HK$6.6 million from HK$7.6 million in 4Q 2017 to HK$1.0 million in 4Q 2018 due to decline in sales.

Other operating income

Other operating income is roughly the same amount as in 4Q 2017, mainly consisting of forfeiture of claims by vendor (HK$0.7 million) and gain on disposal of fixed assets (HK$0.4 million). In 4Q 2017, other operating income mainly consisted of the recovery of HK$1.1 million bad debts.

Selling and distribution expenses

Selling and distribution expenses decreased by 40.9% or HK$0.7 million from HK$1.8 million in 4Q 2017 to HK$1.1 million in 4Q 2018, mainly due to the decrease in transportation cost HK$0.3 million and staff cost HK$0.4 million.

General and administrative expenses

General and administrative expenses decreased by 64.1% or HK$4.2 million from HK$6.5 million in 4Q 2017 to HK$2.3 million in 4Q 2018 mainly due to the decrease of staff costs HK$2.5 million, reversal of impairment on trade receivable HK$0.5 million and audit fee HK$0.4 million. Moreover, in 4Q 2017, it recognized an impairment of fixed assets HK$1.5 million, partially offset by reversal of provision of long service payment of HK$1.1 million.

Loss before income tax

Loss before income tax increased by HK$1.7 million from profit of HK$0.5 million in 4Q 2017 to a loss of HK$1.2 million in 4Q 2018 mainly attributed to decline in sales.

Discontinued Operations

Loss from discontinued operations decreased by HK$10.1 million from HK$10.8 million in 4Q 2017 to HK$0.7 million in 4Q 2018 after the shutdown of PESZ in September, 2018 and in 4Q 2017, PESZ recognized an impairment loss on fixed assets HK$7.5 million.

FY2018 vs FY2017

Continuing Operations

Turnover

FY2018 revenue decreased by 47.6% or HK39.7 million from HK$83.4 million in FY2017 to HK$43.7 million in FY2018. This significant decrease was attributed to significant downturn in the consumer audio industry. Our major customers also suffered financial difficulties: one major customer filed the Chapter 11 bankruptcy protection in August, 2018; another one sold its audio business to third party; the other transformed its business into licensing business. These 3 major customers accounted more than 70% sales in FY2017.

Gross profit and margin

Group's gross loss increased by HK$14.6 million from profit HK$13.6 million in FY2017 to loss HK$1.0 million in FY2018 in line with the decrease in sales.

Other operating income

Other operating income increased by HK$0.6 million from HK$1.3 million in FY2017 to HK$1.9 million in FY2018, mainly consisting of forfeiture of claims by vendor (HK$0.7 million) and gain on disposal of fixed assets (HK$0.8 million). In FY2017, other operating income mainly consisted of the recovery of HK$1.1 million bad debts.

Selling and distribution costs

Selling and Distribution costs decreased by 15.6% or HK$1.0 million from HK$6.4 million in FY2017 to HK$5.4 million in FY2018, mainly due to the decrease in transportation cost HK$0.5 million and licensing fee HK$0.5 million.

General and administrative expenses

General and administrative expenses increased by 41.7% or HK$10.3 million from HK$24.5 million in FY2017 to HK$34.8 million in FY2018, mainly due to the recognition of an impairment on trade receivable, HK$10.7 million in FY2018.

Loss before income tax

Loss before income tax increased by HK$23.1 million from HK$16.2 million in FY2017 to HK$39.3 million in FY2018 mainly due to the decrease of sales and the recognition of an impairment on trade receivable, HK$10.7 million in FY2018.

Discontinued Operations

Loss from discontinued operations decreased by HK$2.4 million from HK$31.8 million in FY2017 to HK$29.4 million in FY2018 after the shutdown of PESZ in September, 2018 and decrease in impairment loss on fixed assets HK$6.5 million, offsetting the increase of impairment on trade receivable HK$12.0 million.

Statement of Financial Position (31 December 2018 vs 31 December 2017)

Plant and equipment decreased by HK$0.8 million from HK$0.8 million as at 31 December 2017 to HK$3,000 as at 31 December 2018 mainly due to deconsolidation of PESZ HK$0.7 million in FY2018.

Inventories decreased by HK$18.8 million from HK$19.8 million as at 31 December 2017 to HK$1.0 million as at 31 December 2018 mainly due to lower sales and deconsolidation of PESZ HK$7.5 million.

Trade receivables decreased by HK$49.4 million from HK$51.1 million as at 31 December 2017 to HK$1.7 million as at 31 December 2018 mainly due to lower sales and impairment on accounts receivables of HK$22.7 million (including the deconsolidation of PESZ HK$12.0 million) in FY2018.

Deposits, prepayment and other receivables decreased by HK$0.7 million from HK$3.8 million as at 31 December 2017 to HK$3.1 million as at 31 December 2018 mainly due to deconsolidation of PESZ HK$2.0 million, partially offset by increase of prepayment to suppliers HK$1.2 million.

Trade payables decreased by HK$46.2 million from HK$46.8 million as at 31 December 2017 to HK$0.6 million as at 31 December 2018 mainly due to lower purchase and deconsolidation of PESZ HK$21.4 million.

Other payables and accruals decreased by HK$5.0 million from HK$11.5 million as at 31 December 2017 to HK$6.5 million as at 31 December 2018 mainly due to deconsolidation of PESZ HK$8.3 million, offsetting the increase of HK$3.2 million by PESZ before the deconsolidation.

Deposits received in advance from customers increased by HK$2.0 million from HK$5.8 million as at 31 December 2017 to HK$7.8 million as at 31 December 2018, mainly attributed to new licensing sales, in which the deposits are requested from customers.

Statement of Cash Flows

Net cash used in operating activities increased by HK$13.7 million from HK$14.8 million in FY2017 to HK$28.5 million in FY2018, mainly due to increase of loss, and reduction of working capital.

Net cash used in investing activities decreased by HK$3.0 million from HK$6.0 million in FY2017 to HK$3.0 million in FY2018, mainly due to the reduction of investment in plant and equipment and money received for the disposal of fixed assets, offsetting the loss of bank balance of HK$3.0m in PESZ after it was taken over by the liquidator.

As at 31 December 2018, the Group had cash and cash equivalents of HK$8.6 million (31 December 2017: HK$39.7 million) with no bank borrowings (FY2017: Nil).

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The company has not provided any prospect statement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As reported earlier, much efforts were made to maintain the factory operations in last few years. Unfortunately, the consumer audio market declined very sharply and closure of factory becomes unavoidable. Our 3 major customers had major problems which causes sales orders to slip significantly. With closure of our factory, we managed to work with a few manufacturing subcontractors to fulfill our orders at hand. The core engineering team and competence are still with us for future business and development. Going forward, we will now rely on external manufacturing subcontractors while focusing on our product design and development strength. We will also include commercial and industrial products which may provide us with higher margin and less competition.

US customers continue to contribute more than 80% of our business. Under the trade-tension between China and US, we foresee that the US government is likely to apply further tariffs to more products from China commencing from March 2019. With this in mind, we continue to explore more manufacturing subcontractors in Malaysia.

The brand licensing agreement with Monster Inc. for the Asia Pacific market which was signed for 6 years will give us much to do with Monster channels in this territory. This new activity will also help us to transform ourselves into a Sourcing and Development Product Partner for Monster to tap on their strong distribution network in the Asia Pacific region as well as potentially globally. We will also provide wider range of products which includes Speakers, Headphone, Earphones, in addition to industrial and commercial products as mentioned above.

The Monster license business has already started to contribute revenues and margins to the group. From the distribution networks of Monster to other new customers, we are hopeful of a return in demand and growth. However, the business will require much more working capital urgently as we establish ourselves with various new players. Our capital structure has weakened significantly. Our negative working capital requires us to address our going concern issue. As such, we need to explore various funds raising avenues immediately.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared and recommended for the year ended 31 December 2018 as the Company needs to reserve the funds for working capital.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

By geographical segments

Turnover of geographical segments of principal markets are analyzed by destination of delivery of products

CONTINUING OPERATIONS

	FY2018 HK$'000	FY2017 HK$'000
United States of America	21,527	42,302
Europe	5,706	12,720
Asia	15,409	25,568
Others	1,011	2,778
Total	43,653	83,368

DISCONTINUED OPERATIONS

	FY2018 HK$'000	FY2017 HK$'000
Asia	3,041	26,734
Total	3,041	26,734

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to section 8 of part I above.

15. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2018 HK$'000	FY2017 HK$'000
Ordinary	-	-
Preference	-	-
Total:	-	-

16. Interested Person Transactions ("IPTs")

The Company does not have a Shareholders' Mandate for Interested Person Transactions. There were no interested person transactions with amount exceeding S$100,000 for FY 2018.

17. Disclosure under Rule704 (13) of the SGX Listing Manual

The Company wishes to confirm that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

18. Undertakings Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company hereby confirms that the undertakings as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual has been procured from all its Directors and Executive Officers.

BY ORDER OF THE BOARD

Liu Wai Man
Lisa Cheng
Company Secretaries
18 February 2019