PlastoForm Holdings Limited

ANNUAL REPORT



2016

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CORPORATE PROFILE

Plastoform is a listed company in Singapore which has over 30 years' experience in delivering premium ODM/ OEM services. The company specializes in wireless audio, with products range from advanced high clarity Bluetooth speakerphones, to Wi-Fi home entertainment speakers, and wireless speakers delivering music on-the-go. It prides itself in offering a one-stop manufacturing solution services and believes it is the quality of their service and their products'above-the-class performance that set them apart.

Plastoform's design and R&D teams have a wealth of acoustic knowledge and skills. They are among the few manufacturers to design and develop their own drivers - enabling a full control acoustic performance, and ensure to deliver each client's unique audio DNA.

Plastoform builds long term relationships with business partners and creates best-selling products we are intensely proud of, and which delight customers around the world.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tse Kin Man
(Executive Chairman)

Chiu Kwong Fai
(Chief Executive Officer & Executive Director)

Tan Tien Hin, Winston
(Non-Executive Director)

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

JOINT COMPANY SECRETARIES

Cheng Lisa, ACIS

Liu Wai Man

Codan Services Limited
(Asst. Company Secretary)

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

BERMUDA COMPANY REGISTRATION

34171

PRINCIPAL OFFICE

Room 902-904, Seapower Centre,
73 Lei Muk Road,
Kwai Chung, New Territories,
Hong Kong

BERMUDA SHARE REGISTRAR

Codan Services 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

INDEPENDENT AUDITOR

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

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

PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited,
16/F., The Centre,
99 Queen's Road Central,
Central, Hong Kong

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 2016 ("FY2016").

While the financial statements provide tremendous detail regarding our operations, I would like to provide my thoughts on keys aspects of our performance, changes in the global marketplace, our investments to create more innovation and lower costs, and our efforts to develop additional new revenues.

Our Performance

In FY2016, Plastoform achieved consolidated operating revenues of HK$248.1 million, which is a decrease of 12% over the previous year. The gross profit as a percentage of sales was 20.8% in 2016 compared to 23.9% in FY2015. Net loss in FY2016 was decreased from HK$11.1 million to HK$7.6 million. This 31.5% reduction on net loss was due to our tightly cost control over FY2016, including expenses on selling and distribution as well as general and administrative.

Our performance was also impacted by the changes in the audio marketplace and the global consumer electronics environment. The competition in the audio industry is fierce, with a host of companies creating similar products. We foresee the market becoming even tougher, awash with audio products that are little more than commodities. And as the technology trend changed where traditional consumer electronics categories slowing down in growth, more manufacturers expanded their product strategies from vertical audio business; they begin to focus on the fast-growing smartphone applications, health & beauty and other Internet of Things (IoT) projects. These changes make our business more dynamic & challenging.



In order to withstand the storm and maintain a growth business, Plastoform decides to strengthen our core competence on the audio field by extending and developing new IoT technology platforms according to better position Plastform as advanced solution player in the future audio market play, across network audio, smart audio, social audio and high resolution audio spaces. Meanwhile, we decided a breakthrough, and to achieve this, we will seize opportunities arising through the Internet of Things.

Prospects and Future Plan

Today, the Internet of Things is expected to transform every corner of life: the home, the office, city streets and beyond. IoT products give us greater control over our

homes; closely monitor our health; make it easier to get advice on boosting sport training; streamline business processes; and better connect us to people, systems and environments.

This may have seemed like science fiction a few years ago, yet nowadays we can interact in a multitude of ways simply by a few finger taps on our mobile phones, or by voice commands. Smart, connected products made possibly by vast improvements in processing power, along with device miniaturisation and ubiquitous wireless connectivity, have unleashed a new era of competition.

Plastoform starts to be a player in the Internet of Things, chiefly through our connected audio speakers. We will take further steps into the IoT world by leveraging our strong R&D and engineering capabilities.

While maintaining our core competence in digital audio manufacturing, we will increasingly emphasise new technological solutions and applications, adopting these together with our industrial design and premium R&D and manufacturing service to work with brands and clients to design, develop and manufacture new and exciting smart devices.

Dividend

As a reward to our shareholders for their continued support, the Board is recommending a final dividend of HK$0.045 per ordinary share.

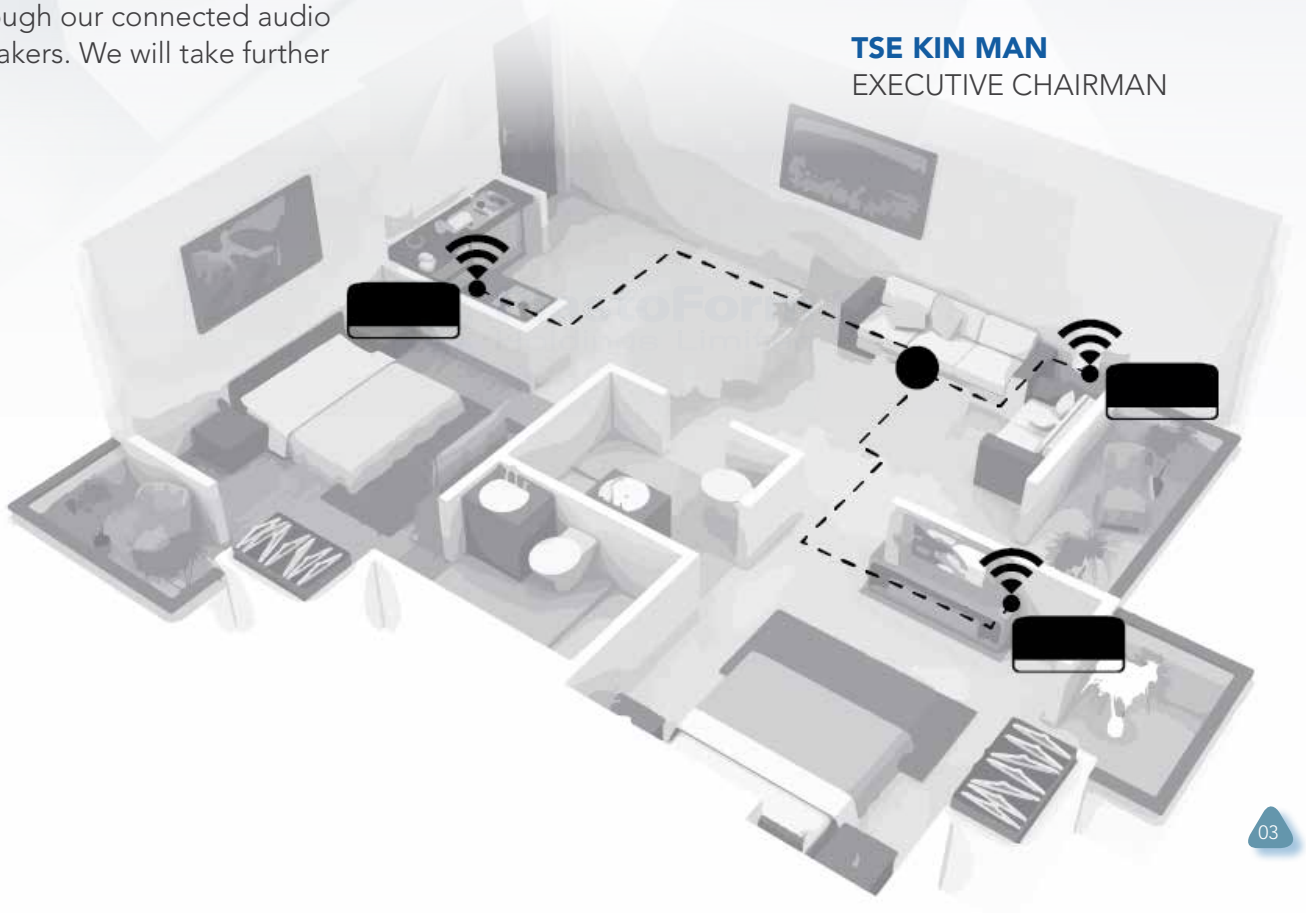
Appreciation

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 associations and customers for their continues support through the years and also the Board of Directors for their judicious counsel and guidance to the Group.

Finally, I would also like to thank our shareholders once again for your support and sticking by through this difficult period. We will strive to deliver better results and restore shareholders value in the coming Year.

Sincerely,

TSE KIN MAN
EXECUTIVE CHAIRMAN



BOARD OF DIRECTORS







TSE KIN MAN
EXECUTIVE CHAIRMAN

Mr. Tse Kin Man is the Executive Chairman of our Group. He was appointed to our Board on 23 September 2003 and 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 24 April 2014 and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company.

CHIU KWONG FAI
CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

Mr. Chiu Kwong Fai is the Chief Executive Officer of our Group. He was appointed to our Board on 23 September 2003 and has been with Plastoform Industries Limited ("PIL") since 1987. Mr. Chiu is responsible for the development of overall corporate strategies as well as manufacturing and operations of the Group. 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 AND CHAIRMAN OF THE AUDIT COMMITTEE

Mr. Khor Peng Soon was appointed to our Board on 21 August 2006. He is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He was appointed the Lead Independent Director of the Company on 22 November 2013. Mr. Khor is currently the Managing Director of JP Ying Advisory and the Executive Director of Reborne Pte Ltd. Prior to that, he held senior management positions at various corporations including the Singapore Economic Development Board, Ernst & Young (Singapore) and Sembawang Holdings Pte Ltd and he was also a Managing Director at Temasek Holdings (Pte) Ltd. Mr. Khor sits on the boards of a number of other publicly listed and private corporations. Mr. Khor was last re-elected as a Director of the Company on 28 April 2016.

FONG HEAN CHUAN

INDEPENDENT DIRECTOR

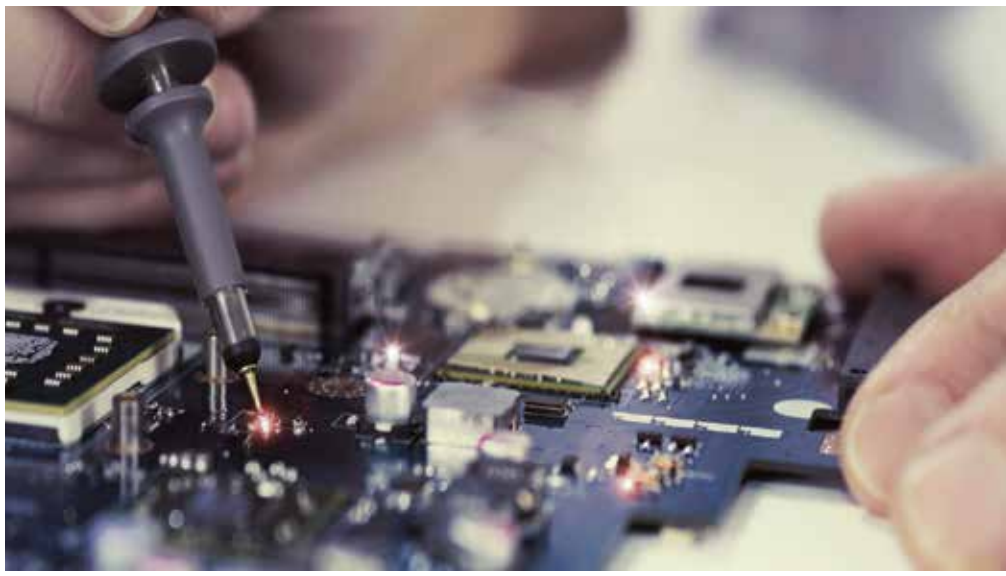
Mr. Fong Hean Chuan was appointed to the Board on 12 August 2011 as a Non-Executive Director, and was re-designated as an Independent Director in 2013. He is the Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee. He is currently the Executive Director of Astralink 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 was last re-elected as a Director of the Company on 29 April 2015.

TAN TIEN HIN, WINSTON

NON-EXECUTIVE DIRECTOR

Mr. Tan Tien Hin, Winston is the Non-Executive Director of our Group since 4 April 2011. 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 Angel and Private Equity investments with high growth needs. 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 24 April 2014 and will be seeking re-appointment at the forthcoming Annual General Meeting of the Company.



KEY MANAGEMENT

JESSICA L. CHUA
Deputy CEO of
Plastoform Holdings Limited

Jessica Chua is the Deputy CEO of Plastoform Holdings Limited, and was appointed to this role in November 2016. She is responsible for leading, re-engineering and transitioning the Company into a value-added and advanced innovative technology manufacturing company. She also takes on the critical role of setting company directions, enriching new vertical & horizontal audio technology solutions, expanding the customer base and driving sales performance.

Jessica has nearly 30 years of professional experience spanning premium audio, fast moving consumer electronics, IT and telecommunications industries. Early in her professional career, she spent a decade in AT&T's Hong Kong and New Jersey HQ offices, gaining solid experience in product management, sales & marketing and management leadership. Jessica then joined PCCW HKT, before progressing to Computer Associates as New Business Development Director (Asia Region).

Jessica entered the audio industry in 2005, as Regional Sales & Marketing Director at Altec Lansing. In her most recent role, from 2008 to 2016, Jessica worked with KEF Audio, of GP Acoustics International. She served senior management roles, including directing and managing international distribution sales & marketing across Asia, Middle East & Africa and European regions, and heading KEF corporate brand marketing and marketing communications.

Holding an MBA in International Business Management from Fairleigh Dickinson University and a Bachelor's degree in Computer Science from Utah State University, Ms. Chua speaks fluent English, Mandarin and Cantonese. She was educated in the US and has an excellent understanding of global consumer electronics markets.

MR. LIU WAI MAN, RAYMOND
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 26 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 15 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.

CHAN CHI HUNG, MATTHEW
VICE PRESIDENT OF EMS

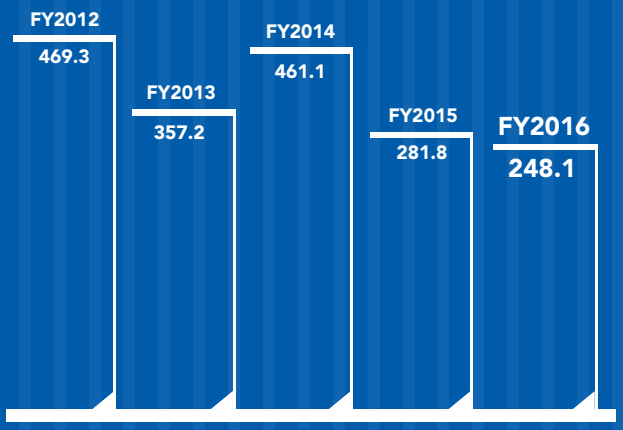
Mr. Chan Chi Hung, Matthew is the Vice President of our EMS Division responsible for the management and development of the business in ODM. He was promoted from his former post as Vice President of R&D in 2014. To cope with the continuous higher requirements from EMS customers, it is essential to maintain the relationship with the integration of our advanced technology, experienced program management, reliable quality assurance and efficient manufacturing & logistic process. He won the trust and appreciation from customers. During his former post as Vice President of R&D, he was responsible for the new technology research, development and application to the product. He also managed the Project and Engineering Department to carry out the development and implementation process from concept to product in the market. Mr. Chan worked with Plastoform for more than 10 years, he is fully adopted with the company's culture and operation system, enhanced him to lead the entire EMS team towards a new stage in the market.

Mr. Chan started his career as Assistant Mechanical Engineer in 1983 and generated state-of-the-art experience in the aspects of Product Development and Project Management thought the past 31 years. He was the R&D Manager in STD Manufacturing Ltd. since 1998 which was the peak and blooming years of game console products. He had also worked in Philips Audio and Thomson Audio for the development of audio products. Matthew joined Plastoform in 2002 as Engineering Manager in-charge-of the Engineering department and R&D Division. Mr. Chan holds a Master Degree in Science in Manufacturing System Engineering by The University of Warwick.

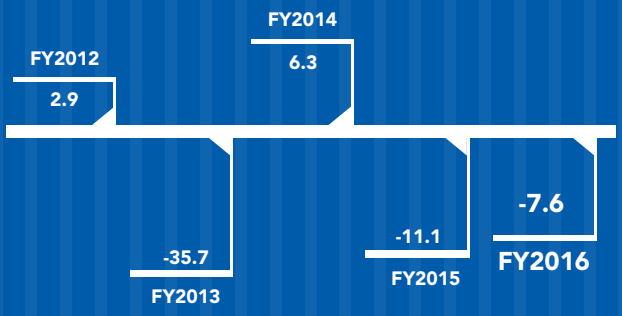
Since 1 June 2016, Mr. Chan took up a new position as the vice president of Engineering and then focused more on leading and providing engineering service and product developments.

FINANCIAL HIGHLIGHTS

Revenue

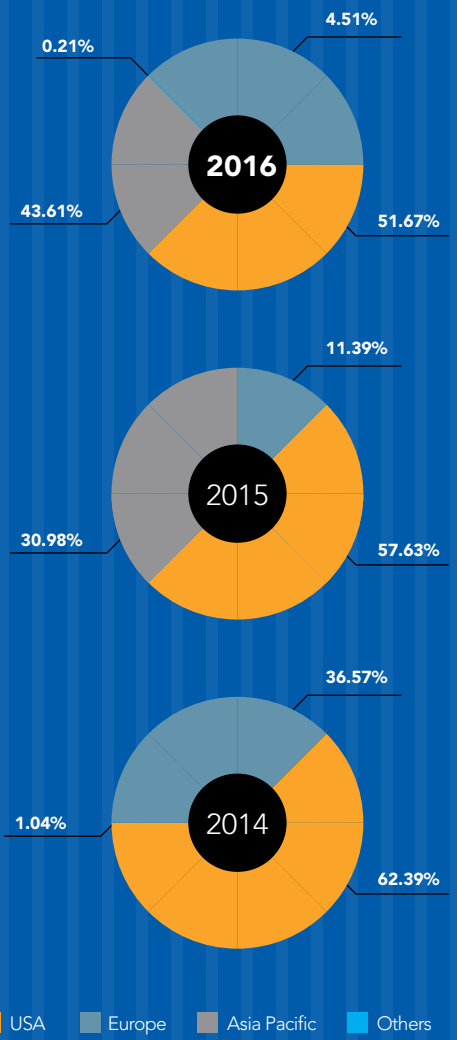


Net Profit / (Loss)



	FY2014	FY2015	FY2016
USA	287.7	162.4	**128.2**
Europe	168.6	32.1	**11.2**
Asia Pacific	4.8	87.3	**108.2**
Others	-	-	**0.5**
HK$' mil			
Revenue	461.1	281.8	**248.1**
Gross Profit	98.8	67.2	**51.7**
Profit/ (Loss) before Income Tax	7.0	(10.1)	**(7.6)**
Net Profit/ (Loss)	6.3	(11.1)	**(7.6)**
Gross Margin	21.4%	23.9%	**20.8%**
Net Margin	1.37%	NA	**NA**
Gearing	Net Cash	Net Cash	**10%**
ROE (%)	4.92%	NA	**NA**
ROA (%)	2.47%	NA	**NA**
EPS (HK cents)	15.6	(27.4)	**(18.8)**
NAV per share (HK cents)	406.9	276.46	**244.7**

GEO Segment



OPERATIONS REVIEW

FY2016 revenue decreased by 12.0% or HK33.7 million from HK$281.8 million in FY2015 to HK$248.1 million in FY2016. This decrease was due to end of product life for a major product line and a number of major customers' exiting the audio business.

Cost of sales decreased by 8.5% or HK$18.2 million from HK$214.6 million in FY2015 to HK$196.4 million in FY2016 in line with the decrease in sales. The overall decrease in gross profit margin from 23.9% in FY2015 to 20.8% in FY2016 was mainly due to the increase of material costs.

Selling and Distribution costs decreased by 26.2% or HK$4.0 million from HK$15.5 million in FY2015 to HK$11.5 million in FY2016. The decrease was mainly due to a decrease in marketing expenses and better management of transportation expenses.

General and administrative expenses decreased by 20.8% or HK$13.0million from HK$62.8 million in FY2015 to HK$49.8 million in FY2016. The decrease was mainly due to reclassification and decrease of staff costs and general administrative expenses. Furthermore, there was no impairment loss on trade receivable recognized in 2016 as compared to HK$3.3 million recognized in 2015.

Loss before income tax decreased by HK$2.5 million from HK$10.1 million in FY2015 to HK$7.6 million in FY2016 mainly due to better management of selling and general expenses and no impairment loss on trade receivables recognized in 2016.

FINANCIAL POSITION

Plant and equipment decreased HK$2.1 million from HK$10.4 million as at 31 December 2015 to HK$8.3 million as at 31 December 2016 was mainly due to fixed assets written off.

Inventories decreased HK$11.1 million from HK$28.3 million as at 31 December 2015 to HK$17.2 million as at 31 December 2016 was mainly due to better inventory management and in line with lower sales.

Trade receivables increased by HK$13.9 million from HK$59.5 million as at 31 December 2015 to HK$73.4 million as at 31 December 2016 was mainly due to longer credit terms extended to one major customer.

Trade payables slightly decreased by HK$2.1 million from HK$63.4 million as at 31 December 2015 to HK$61.3 million as at 31 December 2016 was mainly due to lower sales.

CASH FLOW

Net cash used in operating activities increased by HK$27.3 million from HK$15.9 million inflow in FY2015 to HK$11.5 million outflow in FY2016 was due to increase of trade receivables and partially offset by decrease in inventory and trade payables.



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 of Directors 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 oversees the management of the business and affairs of the Group and is responsible for the overall performance of the Group. The functions of the Board are to:

- Review and approve Board policies and corporate and strategic directions for the Group;
- Review and approve annual budgets, strategic plans, major investments, divestments and funding decisions;
- Oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance requirements;
- Approve quarterly and full year results announcements, circulars, and audited financial statements and annual reports;
- Recommend the declaration of dividends;
- Approve the nomination of directors and the company secretary; and
- Establish value and standards for the Group, and ensuring that obligations to shareholders and others are understood and met.

The Group has in place internal guidelines and approval limits for operational, financial and capital expenditure requirements. 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 Committees reports to the Board on the outcome of the Committee 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.

CORPORATE GOVERNANCE

Details of Directors' attendance at the Board and Board Committees meetings held in FY2016, are summarized in the table below:

Meeting of Total held in FY2016	Board 4	AC 4	NC 1	RC 3
Tse Kin Man	3	N/A	N/A	N/A
Chiu Kwong Fai	4	N/A	N/A	N/A
Tan Tien Hin, Winston	4	4	1	3
Fong Hean Chuan	4	4	1	3
Khor Peng Soon	4	4	1	3

N/A – not applicable

No new Director was appointed to the Board for FY2016. Newly appointed Directors, 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 have no prior experience as Director(s) of a listed company in Singapore.

Letters of appointment setting out Directors' duties, obligations and the terms of appointment, will be issued to new appointees 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 FY2016, the Company's external auditors, Foo Kon Tan LLP had briefed the AC members on developments and/or changes in the auditors' report and accounting standards. Mr Fong Hean Chuan, the Independent Director had attended the 2017 ACRA-SGX-SID Audit Committee seminar, to update himself with the developments in audit and financial regulatory as well as the roles and responsibilities of the audit committee in an ever evolving and increasing complex financial reporting landscape.

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.

Executive Directors:

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

Non-Executive Director:

Tan Tien Hin, Winston

CORPORATE GOVERNANCE

Independent Directors:

Khor Peng Soon (Lead Independent Director)
Fong Hean Chuan

The Board is of the view that its current composition is appropriate, taking into account the scope and nature of the operations of the Group. 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. The NC had reviewed the independence of the Board members and has considered that Mr. Khor Peng Soon and Mr. Fong Hean Chuan to be independent. Each member of the NC was abstained from deliberations in respect of assessment of his own independence.

Notwithstanding that Mr Khor Peng Soon had served on the Board beyond 9 years since of 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;

(iii) He, through his years of involvement with the Company, has gained valuable insight and understanding of the Group's business 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 business. When challenging Management 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 profile of Board members is set out on pages 4 and 5 of the Annual Report.

CORPORATE GOVERNANCE

Chairman and Chief Executive Officer

Principle 3: Division of responsibilities and balance of power

Mr Tse Kin Man, the Executive Chairman is responsible for the development of overall corporate strategies as well as marketing and product development of the Group. He schedules meetings and sets the Board agenda in consultation with Management and the Company Secretary. The Executive Chairman, who possesses in-depth knowledge of the Group's business, guides discussions and ensures that the Board is briefed on developments and issues in a timely manner.

The CEO, Mr Chiu Kwong Fai, is responsible for the development of overall corporate strategies as well as manufacturing and operations of the Group.

As the 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 Financial Controller.

Board Membership

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

The NC comprises all Non-Executive Directors:

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

A majority of the members of the NC, including the Chairman are 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 Committees and for assessing the contribution of each of the Directors to the effectiveness of the Board; and

CORPORATE GOVERNANCE

- assesses the commitment of each Director to the Company, in relation to multiple directorships held by Directors.

A process for Selection and Appointment of new Directors, provides the procedure for identification of potential candidates' skills, knowledge and experience, assessment of candidates' suitability and recommendation for nomination 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.

The NC has recommended the nomination of Mr Tse Kin Man and Mr Tan Tien Hin Winston, for re-appointment at the forthcoming AGM of the Company. Both of them have given their consents to continue in office. The Board has accepted the NC's recommendation and accordingly, both Mr Tse and Mr Tan will be offering themselves for re-election at this AGM.

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.

Each Director was abstained from discussion on any resolution in respect of the assessment of his performance and contribution for re-nomination as a Director of the Company.

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 no 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.

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 FY2016 for assessing the contribution by the Board 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 as a whole and of its Board Committees.

The performance evaluation for FY2016 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.

CORPORATE GOVERNANCE

The evaluation exercise for the Board and Board Committees were carried out in the financial year under review, 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.

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, meeting 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 sufficient. There is no necessity to carry out an evaluation of each individual Director for the time being. The NC has reviewed from time to time the time commitments and efforts contributed by each of the Directors to the affairs of the Company through their participation at Board and Board Committee meetings and 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.

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 Secretary and/or her representative(s) 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.

CORPORATE GOVERNANCE

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

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.

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 personel. 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, can be terminated by either party by giving not less than 2 months' notice.

The RC reviews the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's service contract, to ensure that such contract contain fair and reasonable termination clauses which are not overly generous. The Board is of the view that as the Group pays bonuses and incentives on the actual results of the Company (and not on possible future results) and results that have actually been delivered by its Executive Directors and key management personel, "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 FY2016.

No external facilitator had been engaged by the Board for advice and remuneration matters for FY2016. 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.

CORPORATE GOVERNANCE

The RC has recommended to the Board a Directors' fees of S$160,000 for the year ended 31 December 2016 and S$160,000 for the year ending 31 December 2017 to be paid quarterly in arrears. These recommendations 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 personel of the Company for FY2016, 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	98.9	0	1.1	0	100
Chiu Kwong Fai	98.6	0	1.4	0	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)	100	0	0	0	100
Liu Wai Man	100	0	0	0	100
Chan Chi Hung	100	0	0	0	100

Note:-

(1) Ms Jessica Chua was appointed on 28 November 2016. The disclosure above is based on the actual remuneration paid to her for the period that she had served in that capacity during FY2016.

Given the confidentiality and sensitivity of remuneration matters, the Company has not disclosed the exact details of the remuneration of the Directors and CEO. 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$351,072.

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.

Currently, the Group only has Plastoform Performance Share Plan ("PSP") which is for eligible employees, including Directors of the Group as the Company's employee share option scheme had expired during FY2016. Details of PSP awards are disclosed in the Directors' Statement on page 23 of Annual Report.

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 Group is exposed in its current business environment for FY2016.

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.

CORPORATE GOVERNANCE

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, the majority of whom are 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.

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 Director or Executive Officer 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.

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 FY2016.

CORPORATE GOVERNANCE

Pursuant to Rule 1207(6)(c) of the Listing Manual, the Company confirms compliance with Rule 712 and Rule 715 of the Listing Manual in engaging Foo Kon Tan LLP ("FKT"), as the external auditors of the Company and its significant subsidiaries for consolidation purposes. FKT is registered with the Accounting and Corporate Regulatory Authority and its appointment as the Company's external auditors was approved by the Company's shareholders at the AGM held on 30 April 2012. The AC recommends to the Board the re-appointment of FKT as external auditors at the Company at the forthcoming AGM.

Audit fees paid/payable to FKT, the external auditors of the Company amounted to S$150,000 for the financial year ended 31 December 2016. Pursuant to Rule 1204(6)(a), there is no non-audit fees paid to FKT. 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 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.

None of the AC members is a former partner or director of the Company's existing auditing firm or auditing corporation.

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. A final report with management actions will be submitted to the AC for review.

The AC is satisfied that the 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 FY2016.

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 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 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.

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 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.

CORPORATE GOVERNANCE

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.

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 FY2016 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	98,300.49	Not applicable *
Corporate Brokers International Pte Ltd – retainer fee	38,578.20	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 22 of the Notes to the Consolidated Financial Statements on page 73 of the Annual Report.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2016

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion,

(a) the accompanying 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 2016 and 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.

Names of directors

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

Tse Kin Man	(Executive Chairman)
Chiu Kwong Fai	(Chief Executive Officer and Executive Director)
Tan Tien Hin, Winston	(Non-Executive Director)
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' 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 1.1.2016	**As at 31.12.2016**	**As at 21.1.2017**	As at 1.1.2016	**As at 31.12.2016**	**As at 21.1.2017**
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 Nominees (S) Pte Ltd.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2016

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 16 and 21 to the financial statements.

Employee Share Option Scheme

As disclosed in the Prospectus dated 2 October 2006, the Company has adopted an Employee Share Option Scheme, known as Plastoform Employee Share Option Scheme ("ESOS"). The ESOS provides eligible participants with an opportunity to participate in the equity of the Company and serves to motivate and retain employees. The ESOS, which forms an integral and important component of a compensation plan is designed to primarily reward and retain confirmed employees of the Group including Executive Directors. The ESOS is administered by the Remuneration Committee. The ESOS has expired on 20 August 2016.

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.

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 2016.

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 director or executive officer 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.

DIRECTORS' STATEMENT

For the Financial Year Ended 31 December 2016

Audit Committee (Cont'd)

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.

Independent Auditor

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

On behalf of the Directors

TSE KIN MAN
CHAIRMAN

CHIU KWONG FAI
DIRECTOR

Dated: 30 March 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Plastoform Holdings Limited and its subsidiaries
(Incorporated in the Bermuda with Limited Liability)

Report on the Audit of the Financial Statements

Opinion

We have audited 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 2016, 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.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company present fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA 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 and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial statements, which indicates that the Group incurred a net loss for the year of approximately HK$7.63 million (2015: HK$11.11 million) and generated negative cash flow from operating activities of approximately HK$11.45 million (2015: cash inflow from operating activities of HK$15.87 million). The Group's revenue has decreased significantly from HK$461.1 million in FY 2014 to HK$281.8 million in FY 2015 and subsequently to HK$248.1 million in FY 2016. Furthermore, the Group lost one of its major customers in FY 2014. Subsequent to the balance sheet date, two of its existing customers are in the midst of renegotiating their repayment terms with the management. As at 31 December 2016, the Group has only cash and bank balances of HK$61.2 million. These conditions, along with other matters as set forth in Note 2(a), indicates the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Plastoform Holdings Limited and its subsidiaries
(Incorporated in the Bermuda with Limited Liability)

Key Audit Matters (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Valuation of non-financial assets	The Group's revenue has decreased significantly from HK$461.1 million in FY 2014 to HK$281.8 million in FY 2015 and subsequently to HK$248.1 million in FY 2016. Impairment testing on the Group's and the Company's non-current assets (i.e. plant and equipment and investment in a subsidiary) is required at each reporting date as the significant decline in the Group's revenue is an indication of possible impairment (i.e. a triggering event). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its 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. The recoverable amount based on value-in-use is derived using the discounted forecast cash flow model, covering a five-year period, which is dependent on certain key assumptions used. These assumptions include estimates of future sale volumes, selling prices, operating costs, terminal value growth rate and the weighted average cost of capital (discount rate). These assumptions determined by management are judgemental.	We have identified the impairment testing performed on the Group's plant and equipment and the Company's investment in a subsidiary to be a key audit matter due to the significant judgement required in determining the assumptions to be used to estimate the recoverable amount of the cash-generating unit, which was based on value-in-use. We included in our team an auditor's expert in order to assist us in determining the appropriateness of the discount rate used in the computation of the value-in-use. We have evaluated whether the auditor's expert has the necessary competence, capabilities and objectivity for our purposes. We specifically focused on the sensitivity in the available headroom of the cash generating units where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also focused on the adequacy of the disclosures about those assumptions to which the outcome of the impairment test is most sensitive.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Plastoform Holdings Limited and its subsidiaries
(Incorporated in the Bermuda with Limited Liability)

Key Audit Matters (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Inventory obsolescence provisioning	The Group holds significant raw materials and finished goods as its inventories and it represents 10% of the Group's total assets. Raw materials comprise mainly electronic related raw materials such as integrated chips, transistors, diodes and speakers which can be used to produce different Bluetooth speakers for different customers while finished goods comprised mainly (i) Original Equipment Manufacturer (OEM); (ii) Original Design Manufacturer (ODM) and (iii) Original Brand Manufacturer (OBM) products. Management currently makes full provision on raw materials with no movement in the last 12 months. Cumulatively, inventory obsolescence provisioning made on raw materials and finished goods amounted to HK$8.3 million and HK$15.5 million respectively.	We have identified inventory and related excess and obsolete provision as a key audit matter because the Group is in the business of manufacturing and trading of consumer electronics, which are subject to uncertainties due to rapid technological changes. Furthermore, gross inventory and its related provisions are material to the financial statements. The level of judgement involved in determining whether a provision should be recognised and how it should be measured, coupled with the fact that provision movements impact earnings becomes one of the key judgmental areas that our audit concentrates on. Our audit procedures included, amongst others, the analyses and assessments made by management with respect to slow moving and obsolete inventories and the expected demand, and the market value related to the Group's finished goods. We recalculated on a sample basis provisions recorded by the Group and compared the accuracy of the usage data to underlying documentation to assess the accuracy of the data used in the calculation. We have also considered the historical accuracy of provisions made by the Group by examining the reversal of previously recorded provisions. We have assessed the adequacy of the related disclosures in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Plastoform Holdings Limited and its subsidiaries
(Incorporated in the Bermuda with Limited Liability)

Key Audit Matters (Cont'd)

Key Audit Matter	Risk	Our responses and work performed
Recoverability of trade receivables	At 31 December 2016, the Group's trade receivables amounted to HK$73.4 million, which comprised mainly multi-national customers. The top 5 customers of the Group constituted approximately 97% of the outstanding trade receivables as at 31 December 2016. It is the single largest category of assets on the Group's statement of financial position as at 31 December 2016. The economic slowdown and uncertainties in the global economic environment created a higher inherent risk relating to credit default. The Group lost one of its major customers in FY 2014. Subsequent to the balance sheet date, two of its existing customers are in the midst of renegotiating their repayment terms with the management. The assessment of collectability of the outstanding receivables involves significant judgement of the debtors' ability to pay.	The focus of our work involved auditing the Group's credit analyses and associated impairment assessments of trade receivables that were either in default, significantly overdue, or on watch at 31 December 2016. We obtained and evaluated the Group's credit risk policy, and tested the associated processes used by management to assess credit exposures and report on these to the appropriate level of governance to ensure that the controls are operating effectively as designed. We have tested these balances on a sample basis through post period-end receipts, and compared them to agreed work out plans, settlement agreements and repayment schedules, where appropriate. In addition, we have also considered the Group's previous experience of bad debt exposure and the individual counterparty credit risk. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Plastoform Holdings Limited and its subsidiaries
(Incorporated in the Bermuda with Limited Liability)

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial statements and our auditor's report thereon. The other information mainly comprises the chairman statement, financial and operations review and directors' statement.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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 the International Financial Reporting Standards and Section 90 of the Companies Act 1981 of Bermuda, 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's responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Plastoform Holdings Limited and its subsidiaries
(Incorporated in the Bermuda with Limited Liability)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

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.

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

The engagement partner of the audit resulting in this independent auditor's report is Kong Chih Hsiang Raymond.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 30 March 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

		The Group			The Company	
		31 December	31 December	1 January	**31 December**	31 December
		2016	2015	2015	**2016**	2015
	Note	**HK$'000**	HK$'000 (restated)	HK$'000	**HK$'000**	HK$'000
ASSETS						
Non-current assets						
Plant and equipment	3	**8,270**	10,439	17,582	**–**	–
Intangible asset – club memberships		**690**	690	690	**–**	–
Subsidiaries	4	**–**	–	–	**72,889**	78,608
		8,960	11,129	18,272	**72,889**	78,608
Current assets						
Inventories	5	**17,155**	28,250	49,069	**–**	–
Trade and other receivables	6	**83,597**	69,245	112,140	**71,161**	75,080
Cash and bank balances	7	**61,198**	82,238	75,253	**4,820**	6,927
		161,950	179,733	236,462	**75,981**	82,007
Total assets		**170,910**	190,862	254,734	**148,870**	160,615
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	8	**20,250**	20,250	20,250	**20,250**	20,250
Reserves	9	**78,869**	91,715	107,888	**124,664**	136,068
		99,119	111,965	128,138	**144,914**	156,318
LIABILITIES						
Current liabilities						
Trade and other payables	11	**71,791**	78,310	126,117	**3,956**	4,297
Tax payable		**–**	587	479	**–**	–
		71,791	78,897	126,596	**3,956**	4,297
Total equity and liabilities		**170,910**	190,862	254,734	**148,870**	160,615

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000 (restated)
Revenue	13	**248,131**	281,841
Cost of sales		**(196,425)**	(214,618)
Gross profit		**51,706**	67,223
Other operating income	14	**1,890**	996
Selling and distribution expenses		**(11,454)**	(15,516)
General and administrative expenses		**(49,768)**	(62,842)
Loss before income tax	15	**(7,626)**	(10,139)
Income tax expense	17	**(1)**	(971)
Loss for the year		**(7,627)**	(11,110)
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)		**(2,526)**	(2,472)
Foreign currency translation differences on disposal of foreign subsidiaries, reclassified to profit or loss		**–**	152
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(2,526)**	(2,320)
Total comprehensive loss attributable to owners of the Company		**(10,153)**	(13,430)
Basic loss per share (HK cents)	19	**(18.8)**	(27.4)
Diluted loss per share (HK cents)	19	**(18.8)**	(27.4)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2016

	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 2015	20,250	197,680	(1,798)	505	633	(89,132)	128,138
Loss for the year	–	–	–	–	–	(11,110)	(11,110)
Other comprehensive (loss)/income:							
Exchange differences on translation of foreign operations, as previously reported	–	–	–	(3,959)	–	–	(3,959)
Prior year adjustment (Note 24)	–	–	–	1,487	–	–	1,487
Exchange differences on translation of foreign operations, as restated	–	–	–	(2,472)	–	–	(2,472)
Exchange differences on disposal of foreign subsidiaries reclassified to profit or loss	–	–	–	152	–	–	152
Total other comprehensive loss	–	–	–	(2,320)	–	–	(2,320)
Total comprehensive loss for the year	–	–	–	(2,320)	–	(11,110)	(13,430)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Dividend paid during the year (Note 25)	–	–	–	–	–	(2,677)	(2,677)
Issuance of treasury shares (Note 10)	–	–	278	–	–	–	278
Purchase of treasury shares (Note 10)	–	(178)	(166)	–	–	–	(344)
Total contributions by and distributions to owners	–	(178)	112	–	–	(2,677)	(2,743)
Balance at 31 December 2015, as restated	**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**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Cash Flows from Operating Activities			
Loss before taxation		**(7,626)**	(10,139)
Adjustments for:			
Depreciation of plant and equipment	3	**6,012**	11,068
Gain on liquidation of subsidiaries	14	**–**	(152)
Impairment loss on trade receivables	6	**–**	3,342
Reversal of impairment loss on trade receivables	6	**(35)**	–
Provision for stock obsolescence, net	15	**1,115**	4,949
Loss on disposal of plant and equipment	15	**–**	46
Plant and equipment written off	15	**527**	–
Interest income	14	**(19)**	(48)
Operating (loss)/profit before working capital changes		**(26)**	9,066
Changes in working capital:			
Inventories		**9,980**	15,870
Trade and other receivables		**(14,317)**	39,553
Trade and other payables		**(6,519)**	(47,807)
Cash (used in)/generated from operations		**(10,882)**	16,682
Interest received		**19**	48
Income tax paid		**(588)**	(863)
Net cash (used in)/generated from operating activities		**(11,451)**	15,867
Cash Flows from Investing Activities			
Proceeds from sale of plant and equipment		**–**	6
Purchase of plant and equipment	3	**(4,829)**	(4,515)
Net cash used in investing activities		**(4,829)**	(4,509)
Cash Flows from Financing Activities			
Dividend paid during the year		**(2,693)**	(2,677)
Purchase of treasury shares	10	**–**	(166)
Net cash used in financing activities		**(2,693)**	(2,843)
Net (decrease)/increase in cash and cash equivalents		**(18,973)**	8,515
Deposits pledged	7	**–**	(11,093)
Effect of exchange rate changes on cash and cash equivalents		**(1,364)**	(1,530)
Cash and cash equivalents at beginning of year		**71,145**	75,253
Cash and cash equivalents at end of year	7	**50,808**	71,145

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

1 General information

The financial statements of Plastoform Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

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 4 to these consolidated financial statements.

2(a) Going concern

The Group incurred a net loss for the year of approximately HK$7.63 million (2015: HK$11.11 million) and generated negative cash flow from operating activities of approximately HK$11.45 million (2015: cash inflow from operating activities of HK$15.87 million). The Group's revenue has decreased significantly from HK$461.1 million in FY 2014 to HK$281.8 million in FY 2015 and subsequently to HK$248.1 million in FY 2016. Furthermore, the Group lost one of its major customers in FY 2014. Subsequent to the balance sheet date, two of its existing customers are in the midst of renegotiating their repayment terms with the management. As at 31 December 2016, the Group has only cash and bank balances of HK$61.2million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The Company's directors are of the view that the going concern assumption is appropriate and that the Group will have sufficient working capital to finance its operations in the next twelve months from the end of the reporting period, after taking into consideration the following:-

(1) The Company has prepared a cash flow forecast for the next twelve months after the financial year and is of the view that sufficient working capital will be available to the Group;

(2) Subsequent to the balance sheet date, management has successfully negotiated and agreed to the revised repayment terms with one of its major existing customers and has since collected HK$8.7 million up to 24 March 2017. The amount collected represents 78.3% of the outstanding amounts that were past due as at 31 December 2016. Furthermore, on 14 March 2017, the Group entered into another settlement agreement with another major existing customer, where the latter agreed to make repayment of HK$10.07 million on or before 31 March 2017 that were outstanding as at 31 December 2016; and

(3) The Group continues to implement measures to improve the Group's liquidity condition, including but not limited to, lowering inventory level, tightening cost controls over various selling and administrative expenses and tightening the monitoring mechanism over receivable collection period.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

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 6)

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 estimate 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.

(iii) Income tax (Note 17)

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 2016 were HK$ Nil (2015 - HK$587,000) and HK$ Nil (2015 - HK$ Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Significant accounting estimates and judgements (Cont'd)

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

(iii) Income tax (Note 17) (Cont'd)

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 2016, the Group did not recognise deferred tax assets in relation to unutilised tax losses and temporary differences arising from deductible expenses due to uncertainty 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 2016 was HK$8,270,000 (2015 – HK$10,439,000). 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$804,000 (2015 – Group's loss for the year will decrease by HK$2,345,000). A corresponding decrease in useful life by 1 year would increase the Group's loss for the year by HK$1,209,000 (2015 – Group's loss for the year will increase by HK$3,111,000).

(ii) Impairment of investment in subsidiaries (Note 4)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Significant accounting estimates and judgements (Cont'd)

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

(ii) Impairment of investment in subsidiaries (Note 4) (Cont'd)

As at 31 December 2016, 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:

	2016	2015
	HK$'000	HK$'000
Discount rate:		
- Increase by 1%	**(3,832)**	(1,802)
- Decrease by 1%	**4,283**	1,990
Revenue growth rate:		
- Increase by 1%	**669**	2,104
- Decrease by 1%	**(669)**	(2,200)

(iii) Allowance for inventory obsolescence (Note 5)

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$858,000 (2015 - HK$1,413,000).

(iv) Allowances for impairment loss on amounts due from subsidiaries (Note 6)

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, the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Significant accounting estimates and judgements (Cont'd)

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

(iv) Allowances for impairment loss on amounts due from subsidiaries (Note 6) (Cont'd)

As at 31 December 2016, a 1% decrease/increase in revenue growth, with the discount rate held constant; and a 1% decrease/increase in the discount rate, with the revenue growth rate held constant, will decrease/increase the Company's loss before tax for the year as follows:

	2016	2015
	HK$'000	HK$'000
Discount rate:		
- Increase by 1%	**(2,006)**	6,059
- Decrease by 1%	**6,108**	9,850
Revenue growth rate:		
- Increase by 1%	**2,494**	9,965
- Decrease by 1%	**1,157**	5,661

2(c) Interpretations and amendments to published standards effective in 2016

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 except for the following new or amended IFRS issued and effective in year 2016:

Reference	**Description**
Amendments to IAS 1	*Disclosure Initiatives*

The amendments to IAS 1 *Presentation of Financial Statements clarify*, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated;
- That entities should adopt a systemic order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IAS 7	*Statement of Cash Flows*	1 January 2017
IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
Clarifications to IFRS 15	*Revenue from Contracts with Customers*	1 January 2018
IFRS 9	*Financial Instruments*	1 January 2018
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
IFRS 16	*Leases*	1 January 2019

Amendments to IAS 7 – *Statement of Cash Flows*
The Amendments to IAS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and IFRIC-31 *Revenue – Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Clarifications to IFRS 15 *Revenue Contracts with Customers*
The amendments clarify 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)
- 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.

IFRS 9 *Financial Instruments*
IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* and it is a package of improvements introduced by IFRS 9 which includes a logical model for:

- Classification and measurement,
- A single, forward - looking "expected loss" impairment model and
- A substantially reformed approach to hedge accounting

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The adoption of IFRS 9 will have an impact on the classification and measurement of financial assets, but no impact on the classification and measurement of financial liabilities. The Group is currently assessing the impact to the consolidated financial statements.

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.

IFRS 16 *Leases*
IFRS 16 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with IAS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which companies where it requires lessees to recognise most leases on their statement of financial position. Lessor accounting is substantially unchanged from current accounting in accordance with IAS 17. IFRS 16 *Leases* will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. The Group is currently assessing the impact to the consolidated financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Consolidation (Cont'd)

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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Consolidation (Cont'd)

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.

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.

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.

When the Group loses control of a subsidiary, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Consolidation (Cont'd)

Transactions with Non-Controlling Interest

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.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation on items of plant and equipment is recognised in statement of comprehensive income on a straight-line basis so as to write off the cost of these assets 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 cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Subsequent expenditure relating to plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in statement of comprehensive income during the financial year in which it is incurred.

For acquisitions and disposals during the financial 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Plant and equipment and depreciation (Cont'd)

Gains and losses arising from the retirement or disposal of plant and equipment are determined as the difference between the estimated net proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income on the date of retirement or disposal.

Depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Financial assets (Cont'd)

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.

Loans and receivables

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 received and prepayments) and cash and bank balances. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less provision 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.

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.

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 allowance 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 allowance 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits net of any pledged bank deposits and bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management. Bank overdrafts are presented as current borrowings on the statements of financial position.

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.

Financial liabilities

The Group's financial liabilities include trade and other payables and related party balances.

Financial liabilities are recognised when the Group becomes 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.

Trade and other payables and related party balances are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

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 are accrued to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Employee benefits (Cont'd)

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.

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 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;

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Related parties (Cont'd)

(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.

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 statement of comprehensive income when incurred.

Where the Group is the lessor

Operating leases

Rental income is recognised on a straight-line basis over the lease term.

Earnings per share

Basic earnings per share is calculated by dividing the profit 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Income taxes (Cont'd)

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.

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 only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss has been recognised. A reversal of impairment loss is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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.

(c) Sponsorship income

Sponsorship income is recognised when it is received.

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 2016

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 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 end of reporting period are recognised in the statement of comprehensive income, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the statement of comprehensive income as part of the gain or loss on disposal of the foreign operation.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

Non-monetary items that are measured at historical cost in foreign currencies are translated using the exchange rates at the date of the transactions.

Group entities

The results and financial positions of all the entities within the Group 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 reporting period;

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

(iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

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.

Additional disclosures on operating segments are shown in Note 18 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the Group's directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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 2015	10,836	31,200	23,140	4,791	1,452	3,716	75,135
Additions	2,936	82	420	–	1,077	–	4,515
Write-offs	–	–	(65)	–	–	–	(65)
Exchange differences on translation	(662)	(1,633)	(59)	(12)	(130)	–	(2,496)
Prior year adjustment (Note 24)	–	1,487	–	–	–	–	1,487
	(662)	(146)	(59)	(12)	(130)	–	(1,009)
As at 31 December 2015, as restated	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**
Accumulated depreciation							
At 1 January 2015	1,671	27,849	19,332	4,541	444	3,716	57,553
Depreciation for the year	8,344	769	1,202	77	676	–	11,068
Write-offs	–	–	(13)	–	–	–	(13)
Exchange differences on translation	(363)	(29)	(19)	(5)	(55)	–	(471)
At 31 December 2015	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**
Net carrying amount							
At 31 December 2016	**2,964**	**2,317**	**2,166**	**64**	**759**	**–**	**8,270**
At 31 December 2015, as restated	3,458	2,547	2,934	166	1,334	–	10,439
At 1 January 2015	9,165	3,351	3,808	250	1,008	–	17,582

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

	2016 HK$'000	2015 HK$'000
Cost of sales	**3,639**	9,229
Selling and distribution expenses	**2,358**	1,838
General and administrative expenses	**15**	1
	6,012	11,068

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

3 Plant and equipment (Cont'd)

In the previous financial year, management carried out a review on the useful life of the moulds capitalised to better reflect and align the economic benefits to be generated in respect of the moulds based on the expected product life cycle of the products produced. Accordingly, the depreciation in respect of moulds was accelerated by HK$6.1 million and was accounted for in the consolidated statement of comprehensive income in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors.*

4 Subsidiaries

The Company	2016 HK$'000	2015 HK$'000
Unquoted equity investment, at cost	**52,608**	52,608
Amounts due from a subsidiary (non-trade)	**47,000**	30,000
	99,608	82,608
Less: Impairment loss recognised	**(26,719)**	(4,000)
	72,889	78,608

Pursuant to a directors' resolution dated 31 December 2016, the Company reclassified a non-trade balance amounting to HK$17 million due from Platform2 International Limited, previously classified under "trade and other receivables" and re-designated the said amount as part of the Company's net investment in the subsidiaries. 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 2016 %	2015 %	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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

4 Subsidiaries (Cont'd)

Name of subsidiary	Country of incorporation/ Principal place of business	Effective equity interest held by the Group		Principal activities
		2016	2015	
		%	%	
Held by Platform2 International Limited				
iUi Audio Inc[1][2]	United States	**100**	100	Sales of audio products
Platform2 Trading (Shenzhen) Company Limited[1] ("捷澧贸易（深圳）有限公司")	Peoples' Republic of China	**100**	100	Inactive

(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 2016, having regard to the financial performance of certain subsidiaries that have been loss making since prior financial years, an impairment loss of approximately HK$5.7 million (2015 – HK$4.0 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

4 Subsidiaries (Cont'd)

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

The Company	2016 HK$'000	2015 HK$'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	–
	99,608	82,608
Allowance for impairment loss on net investment in subsidiaries	**(26,719)**	(4,000)
Net investments in subsidiaries	**72,889**	78,608
VIU of subsidiaries:		
- Plastoform Industries Limited	**72,889**	82,842
- Wave 9 Systems Limited	**–**	–
- Platform2 International Limited	**–**	–
	72,889	82,842

* Investment of HK$1.

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

The Company	2016 HK$'000	2015 HK$'000
At 1 January	**4,000**	–
Impairment loss recognised in the statement of comprehensive income	**5,719**	4,000
Impairment loss reclassified from "loans and receivables" (Note 6)	**17,000**	–
At 31 December	**26,719**	4,000

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 18.02% (2015 - 20.2%). The VIU calculation was based on projected cash flows derived from the financial budgets approved by the management.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

4 Subsidiaries (Cont'd)

As at the balance sheet date, the carrying amount of PIL exceeded the VIU of HK$72.9 million. Accordingly, an impairment loss of HK$5.7 million was recognised in the Company's statement of comprehensive income. In the previous financial year, the VIU of PIL of HK$82.8 million exceeded its carrying amount and accordingly, no impairment loss was required. The VIU of Wave 9 was HK$ Nil and accordingly, an impairment loss of HK$4.0 million was recognised in the Company's statement of comprehensive income for the year then ended.

In the previous financial year, management completed the liquidation of Gekko Industries Limited ("Gekko"), Heyuan Gekko Electronics Company Limited ("Heyuan") and Plastoform Chuangke Electronics (Shenzhen) Company Limited ("Chuangke"). Arising from the liquidation, a gain of HK$0.2 million was recognised in the Group's statement of comprehensive income as follows:

	2015
The Company	HK$'000
Net assets/(liabilities) disposed of:	
- Gekko	(2,086)
- Heyuan	2,115
- Chuangke	123
	152
Less: Sales proceeds received	–
Gain on liquidation of subsidiaries (Note 14)	152

5 Inventories

	2016	2015
The Group	**HK$'000**	HK$'000
Raw materials (At cost)	**5,968**	8,384
Work-in-progress (At cost)	**5,011**	8,206
Finished goods (At cost)	**6,176**	11,660
	17,155	28,250

Raw materials and changes in finished goods and work-in-progress included in cost of sales amounted to HK$150,494,000 (2015 - HK$148,894,000). During the current financial year, management provided approximately HK$1,115,000 for inventory obsolescence (2015 - HK$4,949,000). 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 2016

6 Trade and other receivables

	2016	2015
The Group	**HK$'000**	HK$'000
Trade receivables	**76,700**	62,821
Allowance for impairment loss	**(3,307)**	(3,342)
Net trade receivables	**73,393**	59,479
Deposits	**1,030**	1,026
Other receivables	**725**	423
Loans and other receivables	**75,148**	60,928
Advances to suppliers	**–**	763
Input VAT recoverable, net	**7,628**	6,795
Prepayments	**821**	759
	83,597	69,245
The Company		
Amounts due from subsidiaries (non-trade)	**99,648**	120,567
Allowance for impairment loss	**(28,584)**	(45,584)
Net amounts due from subsidiaries	**71,064**	74,983
Prepayments	**97**	97
	71,161	75,080

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 60 to 90 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 2016

6 Trade and other receivables (Cont'd)

Impairment losses

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

	As at 31 December 2016			As at 31 December 2015		
	Gross	**Impairment losses**	**Net**	Gross	Impairment losses	Net
The Group	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
No credit terms	**1,754**	**–**	**1,754**	1,448	–	1,448
Not past due	**47,888**	**–**	**47,888**	46,753	–	46,753
Past due:						
- Not more than 3 months	**25,501**	**–**	**25,501**	12,506	–	12,506
- More than 3 months and not more than 6 months	**5**	**–**	**5**	149	(35)	114
- More than 6 months and not more than 12 months	**–**	**–**	**–**	100	–	100
- More than 12 months	**3,307**	**(3,307)**	**–**	3,314	(3,307)	7
	78,455	**(3,307)**	**75,148**	64,270	(3,342)	60,928

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

	The Group		**The Company**	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**3,342**	–	**45,584**	107,607
Impairment loss recognised in the statement of comprehensive income	**–**	3,342	**–**	31,664
Impairment loss reversed in the statement of comprehensive income	**(35)**	–	**–**	(76,105)
Impairment loss reclassified to investment in subsidiaries (Note 4)			**(17,000)**	–
Impairment loss utilised	**–**	–	**–**	(17,582)
At 31 December	**3,307**	3,342	**28,584**	45,584

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. There was no further impairment loss recognised in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

7 Cash and bank balances

	The Group		The Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash on hand	**22**	93	**–**	–
Cash at banks	**50,786**	71,052	**4,820**	6,927
Bank deposit pledged[1]	**10,390**	11,093	**–**	–
	61,198	82,238	**4,820**	6,927

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

	2016	2015
The Group	**HK$'000**	HK$'000
Cash and bank balances	**61,198**	82,238
Less: Bank deposit pledged[1]	**(10,390)**	(11,093)
Cash and short-term deposits	**50,808**	71,145

(1) As at 31 December 2016, the Group deposited RMB 9,308,000, equivalent to HK$10,390,000 (2015 - HK$11,093,000) 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 will mature on 28 April 2017 and is non-interest bearing.

Cash and bank balances have an effective interest rate of 0.4% per annum (2015 - 0.4% per annum) for the financial year ended 31 December 2016.

8 Share capital

The Company	**Par value HK$**	**Number of ordinary shares ('000)**	**Amount HK$'000**
Authorised:			
At 1 January 2015	0.01	20,000,000	200,000
Share consolidation	0.49	(19,600,000)	–
At 31 December 2015 and 2016	**0.50**	**400,000**	**200,000**
Issued and fully paid-up ordinary shares:			
At 1 January 2015	0.01	2,025,000	20,250
Share consolidation	0.49	(1,984,500)	–
At 31 December 2015 and 2016	**0.50**	**40,500**	**20,250**

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

8 Share capital (Cont'd)

On 25 May 2015, the Company completed a share consolidation of every fifty (50) ordinary shares with a par value of HK$0.01 each in the authorised and issued capital of the Company into one (1) ordinary share with a par value of HK$0.50 each. Fractional entitlements are disregarded. Pursuant to the Share Consolidation, the issued share capital of the Company comprises 40,146,193 ordinary shares and 353,800 treasury shares as mentioned in Note 10.

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.

9 Reserves

		The Group			The Company	
	Note	**31 December 2016 HK$'000**	31 December 2015 HK$'000 (restated)	1 January 2015 HK$'000	**31 December 2016 HK$'000**	31 December 2015 HK$'000
Share premium	(a)	**197,502**	197,502	197,680	**197,502**	197,502
Share option reserve	(b)	**594**	633	633	**594**	633
Reserve for treasury shares	(c)	**(1,686)**	(1,686)	(1,798)	**(1,686)**	(1,686)
Foreign currency translation reserve	(d)	**(4,341)**	(1,815)	505	**–**	–
Accumulated losses		**(113,200)**	(102,919)	(89,132)	**(71,746)**	(60,381)
		78,869	91,715	107,888	**124,664**	136,068

(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$39,000 was reclassified from the share option reserves to accumulated losses.

(c) Reserve for treasury shares amounting to HK$1.7 million (2015 - HK$1.7 million) comprises the cost of Company's shares held by the Group. As at 31 December 2016, the Group held 353,800 of the Company's Consolidated Treasury Shares (2015 - 353,800 of the Company's Consolidated Treasury Shares). Please see Note 10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

10 Treasury shares

	No. of ordinary shares		Amount	
	2016	2015	**2016**	2015
The Company	**'000**	'000	**HK$'000**	HK$'000
At the beginning of year	**354**	15,000	**1,686**	1,798
Share consolidation	**–**	(14,700)	**–**	–
	354	300	**1,686**	1,798
Issued during the year	**–**	(46)	**–**	(278)
Repurchased during the year	**–**	100	**–**	166
Balance at end of year	**354**	354	**1,686**	1,686

The Company did not acquire any of its own shares through purchase on the Singapore Exchange during the financial year (2015 – acquired 100,000 of its own shares at HK$0.17 million). The Company intends to reissue shares to executives who exercised their share options under the Plastoform Employee Share Option Scheme.

11 Trade and other payables

	The Group		The Company	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**61,310**	63,403	**–**	–
Other payables	**1,089**	1,597		
Accrued operating expenses	**2,929**	4,923	**397**	738
Accrued salary and wages	**5,386**	6,692	**–**	–
Amount due to companies owned by directors (non-trade)	**731**	767	**731**	731
Amount due to a subsidiary (non-trade)	**–**	–	**2,828**	2,828
Financial liabilities at amortised cost	**71,445**	77,382	**3,956**	4,297
Deposits received in advance	**346**	928	**–**	–
	71,791	78,310	**3,956**	4,297

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

12 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.

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:

	2016		2015	
	Exercise price per share	**Options**	Exercise price per share	Options
The Group	**S$**	**(in '000)**	S$	(in '000)
At 1 January	**1.850**	**39**	0.037	1,950
Less: Share options expired	**1.850**	**(4)**	0.037	–
Less: Share consolidation of every 50 ordinary shares	**–**	**–**	–	(1,911)
At 31 December	**1.850**	**35**	1.850	39

(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").

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

12 Share-based payment (Cont'd)

(b) Plastoform Performance Share Plan (Cont'd)

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.

13 Revenue

The Group	2016 HK$'000	2015 HK$'000
Sale of audio products	**242,747**	277,277
Tooling income	**5,694**	4,564
Total gross revenue	**248,441**	281,841
Sales returns and discounts	**(310)**	–
	248,131	281,841

14 Other operating income

The Group	2016 HK$'000	2015 HK$'000
Bad debts recovered	**–**	10
Forfeiture of resignee salaries	**37**	63
Forfeiture of trade deposits from customers	**628**	–
Gain on liquidation of subsidiaries (Note 4)	**–**	152
Government grant income	**535**	–
Interest income	**19**	48
Rental income	**308**	310
Sale of scrap materials	**256**	330
Sponsorship income	**88**	65
Others	**19**	18
	1,890	996

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

15 Loss before income tax

The Group	2016 HK$'000	2015 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Included under "cost of sales"		
Inventories recognised as an expense in cost of sales	**150,494**	148,894
Carriage inwards	**470**	529
Consumables	**702**	929
Depreciation of plant and equipment	**3,639**	9,229
Development expenses and laboratory testing costs	**1,394**	2,050
Insurance	**3,130**	3,724
Operating lease expenses	**2,555**	2,383
Provision for inventory obsolescence	**1,115**	4,949
Sample costs	**1,144**	1,088
Staff costs (Note 16)	**31,256**	35,529
Utilities	**2,343**	2,655
Included under "general and administrative expenses"		
Audit fees paid to:		
- Auditors of the Company		
- Current year	**984**	915
- Under provision in respect of prior year	**–**	38
- Other auditors of the subsidiaries	**317**	582
(Reversal)/allowance for impairment loss	**(35)**	3,342
Bad debts written off	**42**	–
Business and entertainment expenses	**1,240**	2,329
Communication expenses	**352**	701
Depreciation of plant and equipment	**2,358**	1,838
Development expenses and laboratory testing costs	**277**	207
Exchange gain, net	**(2,376)**	(3,034)
Legal & professional fee	**1,353**	2,889
Loss on disposal of plant and equipment	**–**	46
Motor vehicles expenses	**647**	720
Operating lease expenses	**2,728**	2,411
Plant and equipment written-off	**527**	–
Security expenses	**439**	482
Staff costs (Note 16)	**37,184**	45,041
Utilities	**281**	314
Yacht expenses	**263**	240

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

16 Staff costs

	Included under			
	Cost of sales	Selling and distribution	General and administrative	Total
The Group	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'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	28,122	4,541	28,271	60,934
- Termination benefits	–	–	151	151
- Social security insurance	3,134	471	2,212	5,817
	31,256	5,012	30,634	66,902
Total	31,256	5,012	37,184	73,452

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

16 Staff costs (Cont'd)

	Included under			
	Cost of sales	Selling and distribution	General and administrative	Total
The Group	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
2015				
Directors' remuneration:-				
- Director fees paid to non-executive directors	–	–	902	902
- Salaries, allowances and pension costs paid to Executive Directors	–	–	5,636	5,636
	–	–	6,538	6,538
Key management personnel other than directors:-				
- Salaries and allowances	–	–	3,610	3,610
- Pension costs - defined contribution plans	–	–	88	88
	–	–	3,698	3,698
Total key management personnel compensation	–	–	10,236	10,236
Employee benefits expense other than directors and other key management:-				
- Salaries and allowances	31,341	4,072	30,996	66,409
- Termination benefits	–	–	369	369
- Social security insurance	4,188	246	3,440	7,874
	35,529	4,318	34,805	74,652
Total	35,529	4,318	45,041	84,888

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

17 Income tax expense

Major component of income tax expense

The major components of income tax expense for the year ended 31 December 2016 and 2015 are:

The Group	2016 HK$'000	2015 HK$'000
Income tax (PRC Enterprise Income Tax)		
- Current year	–	926
- Under provision in repect of prior years	1	45
	1	971

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 2016 and 31 December 2015 is as follows:-

The Group	2016 HK$'000	2015 HK$'000
Loss before income tax	(7,626)	(10,139)
Tax at the applicable domestic tax rates	(1,577)	(3,911)
Tax effects of:		
- Expenses not deductible for tax purposes	722	5,028
- Income not subject to tax	(70)	(26)
- Tax effect of tax losses not recognised	2,096	1,380
- Utilisation of previously unrecognised tax losses	(1,171)	(1,545)
- Under provision in respect of prior years	1	45
Income tax expense	1	971

Expenses not deductible for tax purposes mainly include provision for inventory obsolescence, 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 2016.

Hong Kong profits tax is calculated at a rate of 16.5% (2015 - 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%.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

17 Income tax expense (Cont'd)

Unrecognised tax losses

As at 31 December 2016, the Group has unutilised tax losses of approximately HK$48,473,000 (2015 - HK$42,867,000) 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.

18 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 15 respectively.

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

	2016	2015
Revenue	**HK$'000**	HK$'000
The Group		
United States of America	**128,199**	162,413
Hong Kong	**99,806**	68,590
Europe	**11,198**	32,073
Australia	**205**	3,026
Singapore	**695**	2,296
Others	**8,028**	13,443
Total revenue	**248,131**	281,841

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

18 Operating segments (Cont'd)

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:-

Non-current asset – Plant and equipment	**2016 HK$'000**	2015 HK$'000 (restated)
Hong Kong	**1,340**	739
PRC	**6,930**	9,697
United States of America	**–**	3
Total	**8,270**	10,439

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

Customer	**2016 HK$'000**	2015 HK$'000
The Group		
Customer A	**83,224**	71,937
Customer B	**73,094**	67,084
Customer C	**39,114**	90

19 Loss per share

The Group	**2016 HK$'000**	2015 HK$'000
Basic loss per share is based on:		
Loss attributable to equity holders of the Company	**(7,627)**	(11,110)

The Group	**Number of shares ('000) 2016**	2015
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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

19 Loss per share (Cont'd)

The Group	2016 HK$'000	2015 HK$'000
Diluted loss per share is based on:		
Loss attributable to equity holders of the Company	(7,627)	(11,110)

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.

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

	Number of shares ('000)	
The Group	2016	2015
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	35	39
Weighted average number of ordinary shares issued and potential shares assuming full conversion	40,535	40,539

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 2015 and 2016.

20 Commitments

Where the Group is the lessee

As at 31 December 2016, 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	2016 HK$'000	2015 HK$'000
Not later than 1 year	5,383	2,999
Later than 1 year and no later than 5 years	9,481	2,006
Total	14,864	5,005

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

20 Commitments (Cont'd)

Where the Group is the lessor

As at 31 December 2016, the Group had the following rental income receivable under non-cancellable operating lease for its factory premise in PRC as follows:

The Group	2016 HK$'000	2015 HK$'000
Not later than 1 year	**208**	293
Later than 1 year and no later than 5 years	**–**	220
Total	**208**	513

21 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	2016 HK$'000	2015 HK$'000
Related parties (companies owned by the directors of the Company)		
Office rental expenses	**553**	561
Retainer fee	**206**	214

22 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Credit risk (Cont'd)

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.

Exposure to credit risk

As at 31 December 2016, 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 6 to the financial statements.

Credit risk concentration profile

As at 31 December 2016, the Group and the Company have concentration of credit risk of approximately 32% (2015 - 37%) and 90% (2015 - 64%) of the Group's and the Company's trade receivables from the Group's and the Company'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 and the Company. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Liquidity risk (Cont'd)

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
At 31 December 2016				
Financial liabilities				
Trade and other payables (Note 11)	**71,791**	**71,791**	**71,791**	**–**
Total undiscounted financial liabilities	**71,791**	**71,791**	**71,791**	**–**
At 31 December 2015				
Financial liabilities				
Trade and other payables (Note 11)	78,310	78,310	78,310	–
Total undiscounted financial liabilities	78,310	78,310	78,310	–
The Company				
At 31 December 2016				
Financial liabilities				
Trade and other payables (Note 11)	**3,956**	**3,956**	**3,956**	**–**
Total undiscounted financial liabilities	**3,956**	**3,956**	**3,956**	**–**
At 31 December 2015				
Financial liabilities				
Trade and other payables (Note 11)	4,297	4,297	4,297	–
Total undiscounted financial liabilities	4,297	4,297	4,297	–

The Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group and the Company maintain sufficient level of cash and bank balances to meet their working capital requirements, as disclosed in Note 2(a).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

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 (2015 - 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.

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	Singapore dollars HK$'000	Euro HK$'000	Renminbi HK$'000	Total HK$'000
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)**
At 31 December 2015				
Trade and other receivables	296	–	8,799	9,095
Cash and bank balances	1,442	110	18,342	19,894
Trade and other payables	(4)	(5)	(62,183)	(62,192)
Tax payables	–	–	(587)	(587)
Net exposure	1,734	105	(35,629)	(33,790)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

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

Foreign currency risk (Cont'd)

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$2.9 million (2015 - HK$3.4 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.

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:

	2016	2015
The Group	**HK$'000**	HK$'000
Loans and receivables		
Trade and other receivables (Note 6)	**75,148**	60,928
Cash and cash equivalents (Note 7)	**61,198**	82,238
	136,346	143,166
Financial liabilities at amortised cost		
Trade and other payables (Note 11)	**71,445**	77,382
The Company		
Loans and receivables		
Trade and other receivables (Note 6)	**71,064**	74,983
Cash and cash equivalents (Note 7)	**4,820**	6,927
	75,884	81,910
Financial liabilities at amortised cost		
Trade and other payables (Note 11)	**3,956**	4,297

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2016

23 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	
	2016	2015	**2016**	2015
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000
Trade and other payables (Note 11)	**71,791**	78,310	**3,956**	4,297
Tax payable	**–**	587	**–**	–
Cash and cash equivalents (Note 7)	**(61,198)**	(82,238)	**(4,820)**	(6,927)
Net Debt/(Cash)	**10,593**	(3,341)	**(864)**	(2,630)
Equity attributable to the owners of the Company				
Total capital	**99,119**	111,965	**144,914**	156,318
Capital net debt	**109,712**	N.A.	**N.A.**	N.A.
Capital net debt ratio	**10%**	N.A.	**N.A.**	N.A.

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 2016

24 Prior year adjustment

During the financial year, management identified an understatement on the carrying amount of plant and machinery amounting to HK$1.487 million as at 31 December 2015. The understatement was mainly due to an incorrect consolidation adjustment passed by management in that financial year to reverse the financial effects arising from the transfer of certain plant and machinery at revalued amounts from one Hong Kong subsidiary to another PRC subsidiary. The corresponding adjustment was adjusted against the foreign currency translation reserve in the consolidated statement of financial position as at 31 December 2015. The prior year's adjustment did not have an impact to the audited Group's loss for the financial year ended 31 December 2015.

Management corrected the material prior year's error identified above retrospectively by restating the comparative amounts in the prior period's consolidated statement of financial position and the "other comprehensive income" within the consolidated statement of comprehensive income in accordance with IAS 8. Hence, a third statement of financial position is presented.

The prior year adjustments, to the extent that they are applied retrospectively, have the following impact:

The Group	As reported HK$'000	Prior year adjustment HK$'000	Total HK$'000
Statement of financial position			
Plant and equipment	8,952	1,487	10,439
Foreign currency translation reserve	(3,302)	1,487	(1,815)
Statement of comprehensive income for the financial year ended 31 December 2015			
Exchange differences on translation of foreign operations (at nil tax)	(3,959)	1,487	(2,472)

25 Dividends

The Group and the Company	2016 HK$'000	2015 HK$'000
Ordinary dividends paid:		
Final dividend of HK$0.0665 (2015 – HK$0.00133) per ordinary share in respect of the previous financial year	2,693	2,677

Subsequent to year end, the board of directors proposes a final dividend of HK$0.045 per ordinary share subject to the shareholders' approval of the dividend at the upcoming Annual General Meeting to be held on 27 April 2017.

SHAREHOLDINGS STATISTICS

As at 16 March 2017

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$20,073,096.50
No. of Issued Shares (Excluding Treasury Shares	:	40,146,193
Number / Percentage of Treasury Shares	:	353,800 (0.88%)
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 - 99	115	11.42	4,345	0.01
100 - 1,000	362	35.95	174,270	0.43
1,001 - 10,000	386	38.33	1,614,210	4.02
10,001 - 1,000,000	136	13.51	8,453,820	21.06
1,000,001 and above	8	0.79	29,899,548	74.48
Total	1,007	100.00	40,146,193	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Konkin Limited	11,895,750	29.63	0	0.00
Chiu Kwong Fai (Note 1)	3,000,000	7.47	11,895,750	29.63
Tse Kin Man (Note 1)	3,000,000	7.47	11,895,750	29.63
Winmark Investments Pte Ltd (Note 2)	1,000	0.00	4,299,000	10.71
Tan Tien Hin, Winston (Note 3)	0	0.00	4,300,000	10.71
Amy Lim Sioh Tin (Note 3)	0	0.00	4,300,000	10.71
Ang Kong Hua (Note 4)	2,457,748	6.12	2,010,000	5.01

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 16 March 2017

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2017

No.	Name	No. of Shares	%
1	KONKIN LIMITED	11,895,750	29.63
2	HL BANK NOMINEES (SINGAPORE) PTE LTD	4,299,000	10.71
3	CHIU KWONG FAI	3,000,000	7.47
4	TSE KIN MAN	3,000,000	7.47
5	RAFFLES NOMINEES (PTE) LTD	2,895,250	7.21
6	ANG KONG HUA	2,457,748	6.12
7	CITIBANK NOMINEES SINGAPORE PTE LTD	1,343,960	3.35
8	OCBC SECURITIES PRIVATE LTD	1,007,840	2.51
9	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	933,240	2.33
10	CHUA KENG LOY	766,300	1.91
11	TAN YONG HUI,BRIAN (CHEN YONGHUI BRIAN)	515,000	1.28
12	GOH GEOK LING	400,060	1.00
13	MAYBANK KIM ENG SECURITIES PTE LTD	399,178	0.99
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	340,880	0.85
15	TENGKU SINANNAGA @ CHENG MIN SIONG @ ZENG MING XIONG	260,000	0.65
16	P'NG CHIN GUAN	229,000	0.57
17	CHAN CHEE MENG	172,000	0.43
18	GOH TCHENG HION	165,020	0.41
19	PHILLIP SECURITIES PTE LTD	154,140	0.38
20	AGNES KUA HUN CHOO	140,000	0.35
		34,374,366	85.62

PERCENTAGE OF SHAREHOLDERS IN PUBLIC'S HANDS

Approximately 33.4% of the Company's shares 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 Katong Room, Level 3, Grand Mercure Singapore Roxy, 50 East Coast Road, Roxy Square, Singapore 428769 on Thursday, 27 April 2017 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 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of HK$0.045 per share (tax not applicable) for the year ended 31 December 2016 (2015: HK$0.0665 per share). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws:

   Mr. Tse Kin Man **(Resolution 3)**
   Mr. Tan Tien Hin, Winston **(Resolution 4)**

   Mr. Tan Tien Hin, Winston *will, upon re-election as a Director of the Company, remain as a member of Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

4. To approve the payment of Directors' fees of S$160,000 for the year ended 31 December 2016 (2015: S$160,000). **(Resolution 5)**

5. To approve the payment of Directors' fees of S$160,000 for the year ending 31 December 2017, to be paid quarterly in arrears. **(Resolution 6)**

6. To re-appoint Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. 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:

8. **Authority to allot and issue shares up to 50 percent (50%) of issued 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,

NOTICE OF ANNUAL GENERAL MEETING

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,

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 not exceed fifty per cent. (50%) of the total number of issued shares (excluding 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 treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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

(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;

(3) 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) and the Bye-Laws of the Company; and

(4) 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. **(Resolution 8)**

[See Explanatory Note (i)]

NOTICE OF ANNUAL GENERAL MEETING

9. **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 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. **(Resolution 9)**

[See Explanatory Note (ii)]

10. **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 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 2016 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

(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.

(Resolution 10)

[See Explanatory Note (iii)]

By Order of the Board

Liu Wai Man
Cheng Lisa
Company Secretaries

Singapore, 10 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 8 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 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, in total, 50% of the total number of issued shares (excluding 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.

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

(ii) The Ordinary Resolution 9 proposed in item 9 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 treasury shares) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to purchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution are set out in the Appendix to the Annual Report 2016 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 wishes 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.

NOTICE OF ANNUAL GENERAL MEETING

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