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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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The Board of Directors (the “**Board**”) of PLASTOFORM HOLDINGS LIMITED (the “**Company**”) refers to the following queries raised by the SGX-ST on 22 February 2019 and would like to provide additional information in relation to the Company’s unaudited financial statements for the financial year ended 31 December 2018 (“**FY2018**”), as follows:

**SGX-ST’s Query 1:**

On page 1 of the Company’s full year FY2018 results, the Company disclosed Selling and distribution expenses amounting to HK\$ 1.06 million in 4Q 2018. Please explain why Selling and distribution expenses is so significant at HK\$ 1.06 million when Revenue for 4Q2018 amounted to only HK\$ 2.8million. Please quantify the major items.

**Company’s response:**

The selling and distribution in 4Q 2018 mainly consisted of the staff costs of sales & product design team, which supported the sales and new business development. Below is the breakdown of major items:

	<b>4Q 2018</b>	<b>4Q 2017</b>
	<b>HK\$’ million</b>	<b>HK\$’ million</b>
Staff costs	0.7	1.1
Outward freights	0.2	0.5
Others	0.2	0.2
Total:	1.1	1.8

**SGX-ST’s Query 2:**

On page 2 of the Company’s full year results, the Company disclosed that the Group deconsolidated the assets and liabilities of PESZ on 19 November 2018. Please quantify the NAV of PESZ as at 30 September 2018 and disclose the liquidation value of PESZ.

**Company’s response:**

<b>Financial Position as at 30 Sep 2018</b>	<b>HK\$’ million</b>
Net Liabilities	(16.1)
Liquidation value	Nil
Net effect on deconsolidation	16.1

**SGX-ST's Query 3:**

On page 5 of the Company's full year results, the Company disclosed Net effect on deconsolidation of subsidiary amounting to HK\$ 16.6 million. Please disclose the assets that are included in the deconsolidated subsidiary. Please provide details of any property, plant and equipment held by the deconsolidated subsidiary and quantify the costs of acquisitions of each class in property, plant and equipment.

**Company's response:**

The costs of acquisition were HK\$35.8 million.

	<b>HK\$' million</b>
Plant & Machinery	10.9
Office Equipment	1.2
Moulds	19.9
Motor Vehicle	0.2
Computers	0.7
Leasehold improvement	2.8
<b>Total:</b>	<b>35.8</b>

The net book value as at the date of deconsolidation was HK\$0.7 million.

**SGX-ST's Query 4:**

The Company also disclosed reversal for slow-moving stock amounting to HK\$ 4.3 million. Please provide details and aging of these slow-moving stock and disclose the reason for the reversal.

**Company's response:**

These reversal of slow-moving stocks consisted of raw material, amounting to HK\$2.6 million and finished goods, amounting to HK\$1.5 million. Both of them were with age over 2 years and provision for slow-moving stocks was fully made in previous financial years. These slow-moving stocks were physically scrapped in FY2018 and therefore, the provision was reversed. The corresponding amount was included in inventory written off in FY2018.

**SGX-ST's Query 5:**

On page 9 of the Company's full year results, the Company disclosed that its turnover decreased by 90% from HK\$ 27.9 million in 4Q 2017 to HK\$ 2.8 million in 4Q 2018 due to the loss of 2 major customers. Please disclose:

- (i) how many major customers does the Company still have currently;
- (ii) Will the Company still be able to operate as a going concern going forward? Please provide the basis for the Board's views and substantiate with data; and
- (iii) Will the Company become a cash company as a result of the loss of these 2 major customers? Please provide the basis for the Board's views and substantiate with data.

**Company's response:**

- (i) The Company currently has 3 major customers. Since starting the brand licensing sales with Monster logo in late 2018, the number of customers is expected to increase.
- (ii) Yes, based on the latest cash flow projection and expected fund raising exercise from rights issue, the Board is of the opinion that the Company will be able to operate as a going concern.
- (iii) No, the Company is not a cash company as a result of the loss of these 2 major customers. The company still runs the ODM business and also starts a new brand licensing sales with Monster logo with commencement in the late 2018.

**SGX-ST's Query 6:**

The Company is in a negative equity position of HK\$ 0.89 million and negative working capital of HK\$ 1.35 million as at 31 December 2018, and has generated negative cash flow from operating activities of HK\$ 1.87 million. We draw your attention to Listing Rule 1303(3)(c). For the purpose of determining if Rule 1303(3)(c) should apply, please provide the following information:

- (i) the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view. Please provide the Board's views on how the Company is able to finance its operational needs and short term obligations as and when they fall due in the next 12 months and substantiate with data, and the basis for the Board's views; and
- (ii) the Board's confirmation that all material disclosures have been provided for trading of the Company's shares to continue.

**Company's response:**

- (i) The Board reviewed the cash flow projection prepared by Management and has been in discussion on the fund raising option(s) (including right issue exercise) to obtain additional funding for working capital needs. The announcement on the fund raising option(s) will be released in the due course.

With the funds from fund raising option(s) and trade finance if needed, the new licensed business model provides us better cash flow position, which does not occupy the manufacturing operation. Moreover, the new business could offer us the opportunity to connect with distribution network and retailers. In coming future, we can leverage the network to introduce more product types and brands to the market. With direct interface with channels, the margin can be lower in order to improve competitive advantages to get more market shares. The Board is of the opinion that the Company will be able to operate as a going concern.

- (ii) The Board confirms that all material disclosures have been provided for the trading of the Company's shares to continue.

BY ORDER OF THE BOARD

Tan Tien Hin Winston  
Non-Executive Chairman and Director

27 February 2019