

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Board of Directors (the “Board”) of PLASTOFORM HOLDINGS LIMITED (the “Company”) refers to the following queries raised by the SGX-ST on 9 March 2018 and would like to provide additional information in relation to the Company’s unaudited financial statements for the financial year ended 31 December 2017, as follows:

SGX-ST’s Query 1:

On page 1 of the Full Year 2017 Results, it was disclosed that “General and administrative expenses” amounted to HK\$46.7 million, which is significant when compared to the Company’s “Revenue” of HK\$110 million and “Gross Profit” of HK\$12.9 million. Please provide a breakdown of the administrative expenses and elaborate on the material items.

Company’s response:

Below is the breakdown of administrative expenses and comparison with figures in FY2016:

	FY2017 HK\$m	FY2016 HK\$m	Remarks
Directors’ remuneration	4.6	5.8	
Staff costs	28.3	31.1	In FY2017, a layoff compensation of HK\$2.9m was incurred.
Depreciation	1.8	2.4	
Rent & rates	2.7	2.7	
Audit fee	1.4	1.3	
Travelling & entertainment	1.9	1.9	
Professional fee	1.7	1.5	
Miscellaneous	4.7	5.5	Including, but not limited to utilities, repair, listing fee communications, insurance, recruitment, consumable, cleaning expenses etc.
Exchange loss/(gain)	(0.4)	(2.4)	
Total:	46.7	49.8	

Administrative expenses mainly consisted of fixed cost items and were little correlated to sales activities. Costs control measures were taken, but cannot offset the negative impact due to the reduction of sales.

SGX-ST's Query 2:

On page 9 of the Full Year 2017 Results, the Company disclosed that "Revenue" decreased by 55.6% to HK\$138 million due to "weak demand from some major customers". Please elaborate on the reason for the significant factors that resulted in "weak demand from some major customers" by geographical areas USA, Europe, Asia and Others.

Company's response:

Our main products were Bluetooth speakers. The current market faced a fierce competition and was in the phase of consolidation. Few key players dominate the whole market shares and remaining players are struggling in a smaller part. Our customers are between 2nd & 3rd tier and they were competing in an adverse business landscape. Moreover, the emergence of smart audio products also provided more choices to the customers, which negatively impact on the demand of traditional Bluetooth speaking products, especially in USA.

SGX-ST's Query 3:

In relation to paragraph 9 of the Results announcement, the Company had disclosed in their announcement on 13 November 2017 that it had increased inventories as it had an order book as at end September for 4Q shipments of around HK\$60 million. However "Revenue" in 4Q 2017 amounted to HK\$52 million. Please explain the variance.

Company's response:

One of new customers suddenly changed product specification and asked for rework to meet latest requirement. That is why the shipment has to be postponed from Q4, 2017 to Q2, 2018 which values at HK\$7.2m.

BY ORDER OF THE BOARD

Tse Kin Man
Executive Director and Chief Executive Officer

13 March 2018