

Driving Sound Performance

ANNUAL REPORT 2014

CORPORATE PROFILE

SGX Mainboard-listed Plastoform is an ODM and OBM manufacturer of ecstatic audio products. The Group specialises in the design and integrated production of quality audio devices. Working with the worlds' premier brands, the Group delivers a wide range of trendy lifestyle audio and multimedia accessories including Bluetooth and wireless products.

Founded in 1982, Hong Kong-based Plastoform has leveraged on its strong design and engineering capabilities, as well as its project management skills to become the partner of choice for clients seeking top-rated original design manufacturing services (ODM) in Asia, earning repeated accolades from the industry for its dedication to innovation and excellence.

Swift to adapt to evolving consumer trends, Plastoform has continued to add outstanding new products to its range of speakers that have won over global leaders in the sector. Tapping the exploding market for portable multimedia devices, its latest ecstatic products have secured fresh orders from both existing and new customers.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tse Kin Man
(Executive Chairman)

Chiu Kwong Fai
(Chief Executive Officer & Executive Director)

Winston Tan Tien Hin
(Non-Executive Director)

Khor Peng Soon
(Lead Independent Director)

Fong Hean Chuan
(Independent Director)

AUDIT COMMITTEE

Khor Peng Soon
(Chairman)

Winston Tan Tien Hin

Fong Hean Chuan

NOMINATING COMMITTEE

Fong Hean Chuan
(Chairman)

Khor Peng Soon

Winston Tan Tien Hin

REMUNERATION COMMITTEE

Fong Hean Chuan
(Chairman)

Khor Peng Soon

Winston Tan Tien Hin

JOINT COMPANY SECRETARIES

Yeo Poh Noi, Caroline, FCIS

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
63 Cantonment Road,
Singapore 089758

AUDITORS

Foo Kon Tan LLP (formerly known as Foo Kon Tan
Grant Thornton LLP)
Public Accountants and Chartered Accountants
47 Hill Street,
#05-01,
Singapore Chinese Chamber of Commerce and
Industry Building,
Singapore 179365

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) annual report for the financial year ended 31 December 2014 ("FY2014").

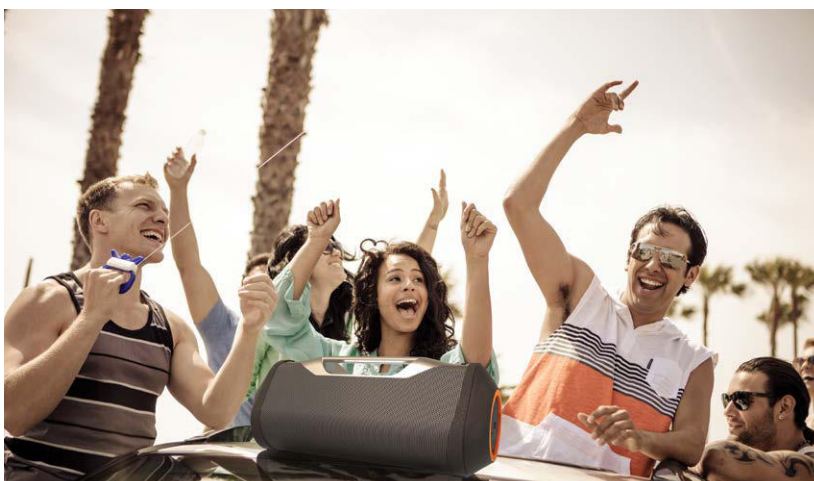
To supplement this financial report, I would like to provide additional insight into our performance, strategy, market environment and key activities for your understanding.

But first and foremost, it is the patronage of our clients, the appreciation of consumers and the hard work of our Plastoform team that has enabled us to continue our quest for improvement and to post these results. We are humbled by this trust and confidence placed in us, and we endeavor to continue to earn this moving forward.

On a global basis, the market continues to be hypercompetitive, dynamic in technology change, and in transition as the US continues its recovery and Europe starts to see improved economic metrics. Together, all of these factors create a complex business environment that we manage the enterprise in.

Despite this global environment, during 2014 we are pleased that our financial results show improvement. Key highlights are:

- Increased topline revenue by 29.1%, to HK\$461.1 million. This increase is due to the launch of new models and increased revenue from our developmental services.
- As our revenue increased, gross profit increased by HK\$54.8 million. Gross margin was up by 9.1% to 21.4%. This was the result in better inventory management, efficiency improvements and more focused managerial control.
- We invested in more front-line sales capability, to provide a stronger foundation for revenue generation during the year, as well as the future. This increased our selling and distribution costs by 68.2%. This increased cost also reflects the cost of certain supply chain expenses related to Vendor Management Inventory (VMI).
- Our operating expenses increased by 5.7% (HK\$4.1 million), as we invested in personnel and related costs.
- We made positive changes in our balance sheet, as we invested in assets to improve our future capability, and reduced inventories.
- We have carefully safeguarded the funds raised through our rights issue, to ensure that we are deploying these funds to drive sustainable growth and capability.





As we move into 2015, our team is focused on the relentless execution of our business and strategy, and we are adapting and changing to meet the needs of the market. Some key areas of focus for us, in addition to our continued quest for operational excellence are:

- Changing our client engagement model to be more strategic, and deliver more of our platform of services to our customers.
- Driving our marketing efforts to be more effective in communicating our message to broader audiences, and ensuring that we clearly create an awareness in our current and prospective clients of our capability and technological leadership.

The marketplace that we operate in will continue to be chaotic, fraught with risks and challenges. To drive our business, we are focused on leaning forward, strongly engaging, and differentiating our offerings. As part of this differentiation effort, we are investing in a number of growing technologies related to wireless audio, as well as taking a more active and assertive role in patenting our developments. The speed at which innovation occurs in the consumer electronics environment, and the need to achieve strong ROI, is

reducing the margin for error in the industry. While we see the reality of the market, we remain positive and excited about the opportunities to come.

We occupy a clear leadership position with our ODM customers because we bring a strong combination of quality manufacturing, technology leadership, particularly in the new Wi-Fi wireless technologies, and cost efficiency. This is the historical hallmark of the Group, and we continue to focus on these key pillars of our business.

In closing, it's my pleasure to share my appreciation of our Board of Directors, and our investors who have placed their trust in us. Every member of our team understands the investments that have been made in us, and we tirelessly endeavor to produce the best possible results to reward this trust through performance.

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 on 24 April 2014.

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 on 22 April 2013.



KHOR PENG SOON*LEAD INDEPENDENT DIRECTOR*

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 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), Sembawang Holdings Pte Ltd and Temasek Holdings (Pte) Ltd. Mr. Khor also sits on the boards of a number of other publicly listed and private corporations. Mr. Khor was last re-elected on 22 April 2013.

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 CEO 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 position 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 on 30 April 2012.

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 Singapore Technologies Kinetics Limited and Roxy-Pacific Holdings Limited. He is also 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 on 24 April 2014.



KEY MANAGEMENT

ROBERT PERRY

DEPUTY CHIEF EXECUTIVE OFFICER

Robert (Bob) is the Deputy CEO of Plastoform Holdings Ltd. He is a highly-experienced veteran of the global consumer electronics industry, serving in senior executive and leadership roles at BlackBerry, Panasonic, Logitech, LG Electronics, Mitsubishi and Sharp Electronics. Bob's areas of experience include global retail, sales & marketing, ecommerce, product development, operations, supply chain, public relations, commercial banking, manufacturing and business restructuring.

Bob has a Master's degree in Management as well as a Bachelor's degree in business administration. He has taught economics, management and computer science at several universities, as well as a guest lecturer at Columbia University graduate school and University of Oregon's graduate school entrepreneurial program. Bob also was a teacher at the US Army Engineer Corps School, and is a decorated US Army retiree.

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 25 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 position 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

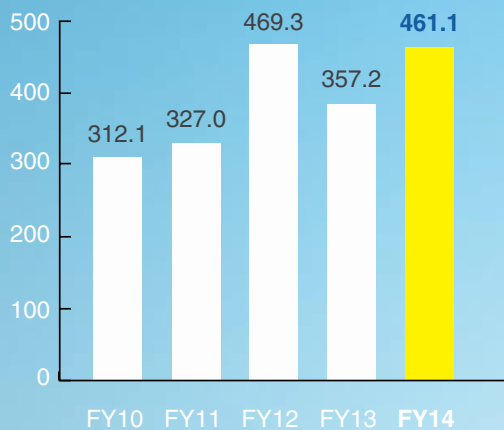
VICE PRESIDENT OF EMS

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 30 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.

FINANCIAL HIGHLIGHTS

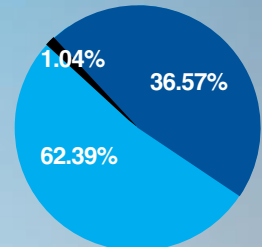
Revenue



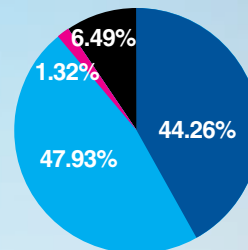
GEO Segment

- USA
- Europe
- Asia Pacific
- Others

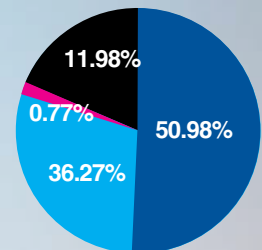
2014



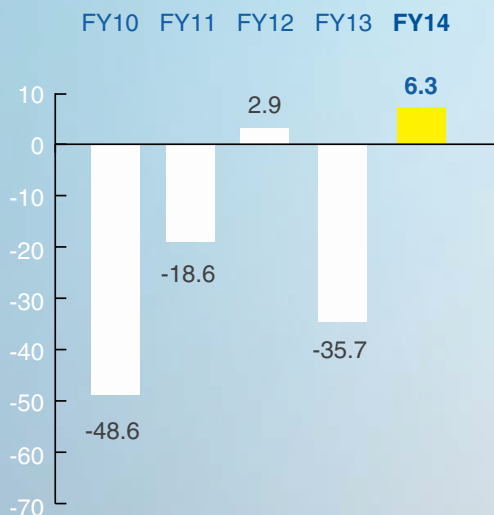
2013



2012



Net Profit / (Loss)



	FY2012	FY2013 (Restated)	FY2014
USA	170.2	158.1	287.7
Europe	239.2	171.2	168.6
Asia Pacific	56.2	23.2	4.8
Others	3.7	4.7	-

HK\$' mil	FY2012	FY2013 (Restated)	FY2014
Revenue	469.3	357.2	461.1
Gross Profit	47.4	44.0	98.8
Profit/ (Loss) before Income Tax	3.6	(35.7)	7.0
Net Profit/ (Loss)	2.9	(35.7)	6.3

	FY2012	FY2013 (Restated)	FY2014
Gross Margin	10.10%	12.3%	21.4%
Net Margin	0.61%	NA	1.37%
Gearing	Net Cash	Net Cash	Net Cash
ROE (%)	2.27%	NA	4.92%
ROA (%)	1.19%	NA	2.47%
EPS (HK cents)	0.24	(2.27)	0.40
NAV per share (HK cents)	9.3	6.8	6.4



OPERATIONS REVIEW

FY2014 revenue increased by 29.1% or HK\$103.9 million from HK\$357.2 million in FY2013 to HK\$461.1 million in FY2014. This increase was due to the successful launch of new models in FY2014 and an increase of tooling and product development income.

In line with the increase in sales, cost of sales increased by 15.7% or HK\$49.1 million from HK\$313.2 million in FY2013 to HK\$362.3 million in FY2014 and the overall gross profit margin increased by 9.1% from 12.3% in FY2013 to 21.4% in FY2014. The increase in gross profit margin in FY2014 was mainly due to better inventory management, increase of turnover, improvement in labour efficiency and tight control of overhead expenses.

Selling and Distribution costs increased by 68.2% or HK\$7.9 million from HK\$11.6 million in FY2013 to HK\$19.5 million in FY2014. The increase was mainly due to a new Vendor Management Inventory (VMI) Program with a key customer in late 2013, and also an increase in sales staff.

Operating expenses increased by 5.4% or HK\$3.8 million from HK\$70.9 million in FY2013 to HK\$74.7 million in FY2014. The increase was mainly due to additional compensation, pension, professional fees and offset of doubtful debts made in FY2013.

As a result of above, the Group's net profit for FY2014 was HK\$6.3 million, compared to a loss of HK\$35.7 million in FY2013.

FINANCIAL POSITION

Plant and equipment increased HK\$6.7 million from HK\$10.9 million in FY2013 to HK\$17.6 million in FY2014 mainly due to investment on tooling for new projects, office and plant renovation.

Inventories decreased by HK\$19.9 million from HK\$69.0 million in FY2013 to HK\$49.1 million in FY2014 as the Group substantially reduced work-in-progress by end of FY2014.

Trade receivables increased by HK\$7.4 million from HK\$88.7 million in FY2013 to HK\$96.1 million in FY2014 mainly due to extension of payment terms to a major customer.

Cash and cash equivalents increased HK\$32.5 million from HK\$42.8 million in FY2013 to HK\$75.3 million in FY2014. The increase mainly arose from the net proceeds from the Rights Issue in September 2014.

Trade payables decreased by HK\$8.7 million from HK\$113.7 million in FY2013 to HK\$105.0 million in FY2014, corresponding with lower inventory in FY2014.

CASH FLOW

Net cash generated from operating activities decreased by HK\$14.7 million from HK\$28.5 million in FY2013 to HK\$13.8 million in FY2014 because HK\$44.1 million of cash flow was generated from working capital in FY2013, as opposed to a breakeven cash flow from working capital in FY2014.

Net cash used in investing activities increased by HK\$5.8 million from HK\$5.4 million in FY2013 to HK\$11.2 million in FY2014. This was mainly due to the investment of tooling for new projects, office and plant renovations.

Net cash inflow in financial activities was HK\$29.1 million mainly arising from net proceeds of the Rights Issue in September 2014.

CORPORATE GOVERNANCE

The Board of Directors (the "Board") is 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 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.

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 Committee meetings held in FY2014, are summarized in the table below:

Meeting of Total held in FY2014	Board 5	AC 5	NC 1	RC 2
Tse Kin Man	5	N/A	N/A	N/A
Chiu Kwong Fai	3	N/A	N/A	N/A
Tan Tien Hin, Winston	5	5	1	2
Fong Hean Chuan	5	5	1	2
Khor Peng Soon	5	5	1	2

N/A – not applicable

No new Director was appointed to the Board for FY2014. 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 Directors who have no prior experience as Directors 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 are 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.

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

Non-Executive Director:

Tan Tien Hin, Winston

Independent Directors:

Khor Peng Soon
Fong Hean Chuan

CORPORATE GOVERNANCE

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.

For FY2014, none of the Independent Directors have served on the Board beyond 9 years from the date of his first appointment which is subject to particularly rigorous review.

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.

Chairman and Chief Executive Officer

Principle 3: Division of responsibilities and balance of power

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 Chief Executive Officer, 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 Chief Executive Officer 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.

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, Chief Executive Officer and the Financial Controller.

Board Membership

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

The NC comprises the following members:

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

A majority of the members of the NC, including the Chairman are Non-Executive and Independent Directors.

CORPORATE GOVERNANCE

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 Committee and for assessing the contribution of each of the Directors to the effectiveness of the Board; and
- 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 Fong Hean Chuan, for re-appointment at the forthcoming AGM of the Company. Mr Fong has given his consent to continue in office. The Board has accepted the NC's recommendation and accordingly, Mr Fong will be offering himself for re-election at this AGM.

In recommending a Director for re-appointment to the Board, the NC considers each of their contribution including attendance and participation at Board and Board committees and the time and efforts accorded to the Group's business and affairs.

Each NC member will abstain from voting 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.

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.

The NC had reviewed the independence of the Board members with reference to the guidelines set out in the Code and, has determined that Khor Peng Soon and Fong Hean Chuan to be independent.

CORPORATE GOVERNANCE

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 Committee (namely the AC, NC and RC) in FY2014 for assessing the contribution by the Chairman and the Board Committees, the Board members and 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 FY2014 was conducted by having all Directors to complete questionnaire. The NC will discuss 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.

The NC is of the view that the current performance evaluation carried out for the Board as a whole and Board Committees is sufficient and there is no necessity to carry out an evaluation of each individual Director for the time being.

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 provides secretarial support to the Board, ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary attends 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.

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

CORPORATE GOVERNANCE

The RC reviews and recommends to the Board (i) the remuneration packages of all Executive Directors, key management 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. 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 are renewed for a further 3 years with effect from January 2013, 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'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, "claw back" provisions in employment contracts may not be relevant or appropriate.

No external facilitator had been engaged by the Board for advice and remuneration matters for FY2014. 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.

The RC has recommended to the Board an amount of S\$140,000 as Directors' fees for the year ended 31 December 2014. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

CORPORATE GOVERNANCE

DISCLOSURE ON REMUNERATION

Principle 9: Level and mix of remuneration Directors and Key Management.

A breakdown of level and mix of remuneration paid to each Director and Key Management of the Company for FY2014, is set out within remuneration bands below:

	Salary %	Bonus %	Benefits in Kind %	Fees %	Total %
Directors					
S\$250,001 to S\$500,000 per annum					
Tse Kin Man	95.2	3	1.8	-	100
Chui Kwong Fai	95.9	3	1.1	-	100
Below S\$250,000 per annum					
Tan Tien Hin, Winston	-	-	-	100	100
Khor Peng Soon	-	-	-	100	100
Fong Hean Chuan	-	-	-	100	100
Key Management					
S\$250,001 to S\$500,000 per annum					
Robert A. Perry (Appointed on 24 April 2014)	97	3	-	-	100
Below S\$250,000 per annum					
Liu Wai Man (Appointed on 23 May 2014)	95	5	-	-	100
Chan Chi Hung, Matthew	95	5	-	-	100
Chen Jung Huei (Resigned on 31 December 2014)	100	-	-	-	100
Wong Kwo Chung, Jacky (Resigned on 23 May 2014)	100	-	-	-	100

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 (who are not Directors of the Company) is approximately S\$711,000.

An employee, Tse Kin Sang is the brother of Tse Kin Man, which Tse Kin Man is the Executive Chairman and Substantial Shareholder of the Company. His aggregate remuneration (salary, bonus and benefits-in-kind) of Tse Kin Sang did not exceed S\$50,000 for FY2014. He resigned on 21 January 2015.

CORPORATE GOVERNANCE

The Plastoform Employee Share Option Scheme ("ESOS") was established in 2006. The ESOS serves to attract, motivate and retain employees and to align the interests of participants with the interests of shareholders.

The ESOS is administered by the RC. Details of ESOS grants are disclosed in the Report of Directors on page 22 of Annual Report.

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 discloseable 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 recognises 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. Any significant internal control weaknesses and non-compliance noted during the audit and the recommendations thereof are reported to the AC as part of the review of the Group's internal control systems.

Based on the Group's policies and procedures 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 addressing the financial, operational, compliance and information technology risks to which the Company is exposed in its current business environment are adequate as at 31 December 2014.

CORPORATE GOVERNANCE

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.

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 Non-Executive and 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 auditors, 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.

CORPORATE GOVERNANCE

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 FY2014.

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.

Audit fees paid/payable to FKT, the external auditors of the Company amounted to S\$150,000 for the financial year ended 31 December 2014. Pursuant to Rule 1204(6)(a), there are no non-audit fees paid to the auditor. 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.

Internal Audit

Principle 13: Internal Audit function

The Board recognises the importance of Internal Audit. The Internal Auditors ("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.

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 & schedule, 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 Chairman of the AC for review.

Subsequent to the financial year end, the Company's in-house IA resigned and the AC has directed the Company to expeditiously appoint a replacement internal auditor.

The AC met with the IA, at least once in FY2014, to review the adequacy and effectiveness of the internal audit function.

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 recognises 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 business 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 hierarchy, 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 by poll.

Resolutions are, as far as possible, structured separately and may be voted on independently.

The Company Secretary prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. Minutes of general meetings are available to shareholders upon their request.

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 Company does not have a mandate for Interested Person Transactions.

Interested Person Transactions in FY2014 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 pages 62 to 66 of the Annual Report.

Status Report on use of Proceeds from Rights Issue

The Group has utilized the net proceeds raised from Rights Issue in the table below:-

	Amount raised (A) HK\$'000	Amount utilized (B) HK\$'000	Cumulative amount utilized as at 26 March 2015 (C) HK\$'000	Balance of net proceeds as at 26 March 2015 (A) - (C) HK\$'000
Product development	5,697	–	–	5,697
Building up inventory level for distribution and sales globally	7,601	–	–	7,601
Financing trade receivables for distribution and sales globally	15,201	5,487	5,487	9,714
Setting up of overseas sales offices	3,166	1,938	1,938	1,228
Additional expenses incurred in connection with Rights Issue	48	48	48	–
Total	31,713	7,473	7,473	24,240

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2014.

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 was interested in shares, debentures, warrants or options of the Company or its related corporations, except as follows:

Ordinary shares of HK\$0.01 each of the Company as at 1 January 2014.

Name of director	Number of ordinary shares					
	Holdings registered in the name of director or nominee			Holdings in which director is deemed to have an interest		
	As at 1.1.2014	As at 31.12.2014	As at 21.1.2015	As at 1.1.2014	As at 31.12.2014	As at 21.1.2015
Tse Kin Man ⁽ⁱ⁾	100,000,000	150,000,000	150,000,000	396,525,000	594,787,500	594,787,500
Chiu Kwong Fai ⁽ⁱ⁾	100,000,000	150,000,000	150,000,000	396,525,000	594,787,500	594,787,500
Tan Tien Hin, Winston ⁽ⁱⁱ⁾	–	–	–	138,000,000	215,000,000	215,000,000
Khor Peng Soon	1,550,000	1,550,000	1,550,000	–	–	–
Fong Hean Chuan	1,500,000	2,250,000	2,250,000	–	–	–

⁽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⁾ The shareholders of Winmark Investments Pte. Ltd. ("Winmark") are Tan Tien Hin, Winston (50%) and his wife, Lim Sioh Tin Amy (50%). Tan Tien Hin Winston is deemed to be interested in all the shares held by Winmark.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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.

a) Options to take up unissued shares

No options were granted during the financial year to take up unissued shares of the Company or of its subsidiaries.

b) Options exercised

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries.

c) Unissued shares under option

There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit Committee

The Audit Committee ("AC") at the end of the financial year comprises the following members:

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

The AC 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 2014.

The AC 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 AC also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The AC 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.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Independent Auditor

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

On behalf of the Directors

TSE KIN MAN
CHAIRMAN

CHIU KWONG FAI
DIRECTOR

Dated: 27 March 2015

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Board of Directors is responsible for the preparation, consolidation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards. The responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the directors, the accompanying consolidated statements of financial position, the statement of financial position of the Company, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up in accordance with and comply with International Financial Reporting Standards so as to present fairly the state of affairs of the Group and of the Company as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date; and 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.

On behalf of the Directors

TSE KIN MAN
CHAIRMAN

CHIU KWONG FAI
DIRECTOR

Dated: 27 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLASTOFORM HOLDINGS LIMITED
(INCORPORATED IN THE BERMUDA WITH LIMITED LIABILITY)

Report on the financial statements

We have audited the accompanying financial statements of Plastoform Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PLASTOFORM HOLDINGS LIMITED
(INCORPORATED IN THE BERMUDA WITH LIMITED LIABILITY)

Opinion

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 state of affairs of the Group and the Company as at 31 December 2014, and the results, changes in equity and cash flows of the Group for the financial year then ended in accordance with International Financial Reporting Standards.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 27 March 2015

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		The Group			The Company	
		31 December 2014	31 December 2013	1 January 2013	31 December 2014	31 December 2013
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(restated)			
ASSETS						
Non-current assets						
Plant and equipment	3	17,582	10,863	8,474	–	–
Subsidiaries	4	–	–	–	82,608	82,608
		17,582	10,863	8,474	82,608	82,608
Current assets						
Inventories	5	49,069	68,970	56,547	–	–
Trade and other receivables	6	112,830	107,126	157,273	25,170	32,611
Cash and bank balances	7	75,253	42,788	18,838	34,125	5,790
		237,152	218,884	232,658	59,295	38,401
Total assets		254,734	229,747	241,132	141,903	121,009
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	8	20,250	13,520	13,520	20,250	13,520
Reserves	9	107,888	77,771	112,582	103,501	90,252
		128,138	91,291	126,102	123,751	103,772
LIABILITIES						
Current liabilities						
Trade and other payables	11	126,117	138,456	115,030	18,152	17,237
Tax payable		479	–	–	–	–
		126,596	138,456	115,030	18,152	17,237
Total equity and liabilities		254,734	229,747	241,132	141,903	121,009

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Year ended 31 December 2014	Year ended 31 December 2013
	Note	HK\$'000	HK\$'000 (Restated)
Revenue	13	461,104	357,240
Cost of sales		(362,287)	(313,200)
Gross profit		98,817	44,040
Other operating income	14	2,394	2,773
Selling and distribution expenses		(19,501)	(11,592)
General and administrative expenses		(74,708)	(70,896)
Profit/(loss) before income tax	15	7,002	(35,675)
Income tax expense	17	(699)	(62)
Profit/(loss) for the year		6,303	(35,737)
Other comprehensive income:			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)</i>			
Exchange differences on translation of foreign operations		(605)	1,110
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		(605)	1,110
Total comprehensive income attributable to owners of the Company		5,698	(34,627)
Basic earnings/(loss) per share (HK cents)	19	0.40	(2.27)
Diluted earnings/(loss) per share (HK cents)	19	0.40	(2.27)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Share capital HK\$'000	Share premium HK\$'000	Reserve for treasury shares HK\$'000	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 2013	13,520	172,697	(1,050)	–	676	(59,741)	126,102
Loss for the year, as previously stated	–	–	–	–	–	(40,917)	(40,917)
Prior year adjustments (Note 24)	–	–	–	–	–	5,180	5,180
Loss for the year, as restated	–	–	–	–	–	(35,737)	(35,737)
Other comprehensive income, as previously stated	–	–	–	(2,521)	–	–	(2,521)
Prior year adjustments (Note 24)	–	–	–	3,631	–	–	3,631
Other comprehensive income for the year, as restated	–	–	–	1,110	–	–	1,110
Total comprehensive income for the year	–	–	–	1,110	–	(35,737)	(34,627)
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Purchase of treasury shares (Note 10)	–	–	(184)	–	–	–	(184)
Balance at 31 December 2013	13,520	172,697	(1,234)	1,110	676	(95,478)	91,291
Profit for the year	–	–	–	–	–	6,303	6,303
Other comprehensive income	–	–	–	(605)	–	–	(605)
Total comprehensive income for the year	–	–	–	(605)	–	6,303	5,698
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Rights issue during the year (Note 8)	6,730	24,983	–	–	–	–	31,713
Purchase of treasury shares (Note 10)	–	–	(564)	–	–	–	(564)
Transfer to accumulated losses upon lapse of share options	–	–	–	–	(43)	43	–
Balance at 31 December 2014	20,250	197,680	(1,798)	505	633	(89,132)	128,138

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Year ended 31 December 2014 HK\$'000	Year ended 31 December 2013 HK\$'000 (Restated)
	Note		
Cash Flows from Operating Activities			
Profit/(loss) before taxation		7,002	(35,675)
Adjustments for:			
Depreciation of plant and equipment	3	4,306	3,044
Impairment loss on trade receivables	6	–	7,068
Reversal of impairment loss on trade receivables	6	(247)	(350)
Provision for stock obsolescence		2,397	10,337
Plant and equipment written off	3	144	–
Interest income	14	(22)	(15)
Operating profit/(loss) before working capital changes		13,580	(15,591)
Changes in working capital:			
Inventories		17,504	(22,760)
Trade and other receivables		(5,457)	43,429
Trade and other payables		(11,632)	23,426
Cash generated from operations		13,995	28,504
Interest received		22	15
Income tax paid		(220)	(62)
Net cash generated from operating activities		13,797	28,457
Cash Flows from Investing Activity			
Purchase of plant and equipment	3	(11,197)	(5,397)
Net cash used in investing activity		(11,197)	(5,397)
Cash Flows from Financing Activities			
Proceeds from Rights issue		32,842	–
Costs incurred for Rights Issue		(1,129)	–
Purchase of treasury shares	10	(564)	(184)
Repayment of directors' loan		(2,000)	–
Net cash generated from/(used in) financing activities		29,149	(184)
Net increase in cash and cash equivalents		31,749	22,876
Effect of cash and cash equivalent denominated in foreign currencies		716	1,074
Cash and cash equivalents at beginning of year		42,788	18,838
Cash and cash equivalents at end of year	7	75,253	42,788

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

1 General information

The financial statements of Plastoform Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014 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, 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 investing holding. The principal activities of the subsidiaries are disclosed in Note 4 to these consolidated financial statements.

2(a) 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.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Key sources of estimates uncertainty and significant judgements

The preparation of the financial statements in conformity with IFRS requires the management to exercise judgements in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting periods and the reported amounts of revenues and expenses during the financial years. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only the financial year or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(a) Basis of preparation (cont'd)

Key sources of estimates uncertainty and significant judgements (cont'd)

The critical 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) 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 2014 were HK\$479,000 (2013 – HK\$Nil) and HK\$Nil (2013 – HK\$Nil).

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 2014, 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.

(iii) Impairment of loans and receivables (Note 6)

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(a) Basis of preparation (cont'd)

Key sources of estimates uncertainty and significant judgements (cont'd)

(iii) Impairment of loans and receivables (Note 6) (cont'd)

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. If the present value of estimated future cash flows decrease by 5% from management's estimates, the Group's allowance for impairment will increase by HK\$5,004,000 (2013 - increase by HK\$4,526,000).

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The group based its assumptions and estimate on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumption when they occur.

(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 2014 was HK\$17,582,000 (2013: HK\$10,863,000). 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 machinery were to increase by 1 year, the Group's profit for the year will increase by approximately HK\$456,000 (2013 – Group's loss for the year will reduce by HK\$239,000). A corresponding decrease in useful life by 1 year would reduce the Group's profit for the year by HK\$707,000 (2013: Group's loss for the year will increase by HK\$215,000)

(ii) 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 profit will increase/decrease by HK\$1,025,000 (2013 – Group's loss will decrease/ increase by HK\$905,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(b) Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the amended IFRS that are mandatory for application from that date.

The adoption of the new and amended IFRS and interpretations did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current period or prior financial year.

2(c) 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. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

Reference	Description	Effective date (Annual periods beginning on or after)
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

IFRS 9 – Financial Instruments

The IASB recently issued IFRS 9 "Financial Instruments" (2014), representing the completion of its project to replace IAS 39 "Financial Instruments: Recognition and Measurements". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018. The Group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) 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.

Consolidation of the 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 the PRC statutory financial statement of the subsidiary, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profit available for distribution by the PRC subsidiaries were 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.

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 profit or loss 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 2014

2(d) Summary of significant accounting policies (cont'd)

Consolidation (cont'd)

Transactions eliminated on consolidation

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only.

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.

Subsidiaries

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (cont'd)

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation 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 equipment	15% to 20% per annum
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.

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 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.

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 Company commits 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

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.

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.

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. Any change in their value is recognised in the statement of comprehensive income. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in statement of comprehensive income.

Receivables are provided against when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (cont'd)

Inventories (cont'd)

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

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

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

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 statement of comprehensive income. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) 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.

A 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 statement of comprehensive income in the period to which the contributions made.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue 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 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (cont'd)

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;
 - (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).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (cont'd)

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (cont'd)

Impairment of non-financial assets (cont'd)

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 exists.

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.

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 statement of comprehensive income, using the effective interest method.

(c) *Sponsorship income*

Sponsorship income is recognised when it is received.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (cont'd)

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2(d) Summary of significant accounting policies (cont'd)

Conversion of foreign currencies (cont'd)

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 exchange rates at the dates of transactions.
- (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.

Earnings per share

Basic earnings per share is calculated by dividing the statement of comprehensive income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 Plant and equipment

The Group	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 2013	29,552	22,745	4,595	–	3,716	60,608
Additions	4,133	1,069	195	–	–	5,397
Write-offs	(498)	(1,430)	–	–	–	(1,928)
Exchange differences on translation	55	4	3	–	–	62
At 31 December 2013	33,242	22,388	4,793	–	3,716	64,139
Additions	8,992	755	–	1,450	–	11,197
Write-offs	(174)	–	–	–	–	(174)
Exchange differences on translation	(24)	(3)	(2)	2	–	(27)
At 31 December 2014	42,036	23,140	4,791	1,452	3,716	75,135
Accumulated depreciation						
At 1 January 2013	26,108	17,922	4,388	–	3,716	52,134
Depreciation for the year	1,510	1,458	76	–	–	3,044
Write-offs	(498)	(1,430)	–	–	–	(1,928)
Exchange differences on translation	20	6	–	–	–	26
At 31 December 2013	27,140	17,956	4,464	–	3,716	53,276
Depreciation for the year	2,411	1,373	78	444	–	4,306
Write-offs	(30)	–	–	–	–	(30)
Exchange differences on translation	(1)	3	(1)	–	–	1
At 31 December 2014	29,520	19,332	4,541	444	3,716	57,553
Net book value						
At 31 December 2014	12,516	3,808	250	1,008	–	17,582
At 31 December 2013	6,102	4,432	329	–	–	10,863

Depreciation of plant and equipment of approximately HK\$1,768,000 (2013 - HK\$1,748,000) and approximately HK\$2,538,000 (2013 - HK\$1,296,000) have been charged in "Cost of sales" and "Other operating expenses" respectively in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4 Subsidiaries

	2014	2013
The Company	HK\$'000	HK\$'000
Unquoted equity investment, at cost	52,608	52,608
Amount due from a subsidiary (non-trade)	30,000	30,000
	<u>82,608</u>	<u>82,608</u>

The non-trade amount due from a subsidiary represents an extension of the Company's net investment in the subsidiary. The amount is unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is considered to be part of the cost of investment, and is stated at cost.

Details of the subsidiaries are:

Name of subsidiary	Country of incorporation/ Principal place of business	Effective equity interest held by the Group		Principal activities
		2014 %	2013 %	
<u>Held by the Company</u>				
PFM International Limited ⁽¹⁾	British Virgin Islands	100	100	Investment holding
<u>Held by PFM International Limited</u>				
Plastoform Industries Limited ⁽¹⁾	Hong Kong	100	100	Sales of audio products
Platform2 International Limited ⁽¹⁾	Hong Kong	100	100	Sales of audio products
Gekko Industries Limited ⁽¹⁾	Hong Kong	100	100	Investment holding
Wave9 Systems Limited ⁽¹⁾	Hong Kong	100	100	Inactive
<u>Held by Gekko Industries Limited</u>				
Heyuan Gekko Electronics Company Limited ⁽¹⁾ ("河源捷高电子有限公司")	Peoples' Republic of China	100	100	Inactive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4 Subsidiaries (cont'd)

Name of subsidiary	Country of incorporation/ Principal place of business	Effective equity interest held by the Group		Principal activities
		2014	2013	
		%	%	
<u>Held by Plastoform Industries Limited</u>				
Plastoform Electronics (Shenzhen) Company Limited ⁽¹⁾ ("捷永广建电子（深圳）有限公司")	Peoples’ Republic Of China	100	100	Manufacture and sales of audio products
Plastoform Chuangke Electronics (Shenzhen) Company Limited ⁽¹⁾ ("捷永创科电子（深圳）有限公司")	Peoples’ Republic Of China	100	100	Inactive
TT Tech Limited ⁽¹⁾	Hong Kong	100	100	Inactive
<u>Held by Platform2 International Limited</u>				
iUi Audio Inc ⁽¹⁾	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	–	Inactive

(1) Audited by Foo Kon Tan LLP for consolidation purposes

Incorporation of a subsidiary

On 25 February 2014, Platform2 International Limited incorporated Platform2 Trading (Shenzhen) Company Limited in the People's Republic of China with a registered paid-in capital of RMB500,000.

5 Inventories

	2014 HK\$'000	2013 HK\$'000 (Restated)
The Group		
Raw materials (At cost)	23,613	20,348
Work-in-progress (At cost)	3,627	16,577
Finished goods (At net realisable value)	21,829	32,045
	<u>49,069</u>	<u>68,970</u>

Raw materials and changes in finished goods and work-in-progress included in cost of sales amounted to HK\$248,119,000 (2013 - HK\$250,592,000). In 2014, the write-down of inventories to net realisable value by the Group amounted to HK\$2,397,000 (2013 - HK\$10,337,000). The write-down is included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

6 Trade and other receivables

	2014	2013
The Group	HK\$'000	HK\$'000 (Restated)
Trade receivables	96,126	94,630
Allowance for doubtful receivables	–	(5,977)
Net trade receivables	96,126	88,653
Deposits	3,198	1,297
Other receivables	764	563
Loans and other receivables	100,088	90,513
Advances to suppliers	813	–
Input VAT recoverable, net	9,940	14,433
Prepayments	1,989	2,180
	112,830	107,126

	2014	2013
The Company	HK\$'000	HK\$'000
Amounts due from subsidiaries	132,641	140,218
Allowance for doubtful receivables	(107,607)	(107,607)
Net amounts due from subsidiaries	25,034	32,611
Prepayments	136	–
	25,170	32,611

The Group's primary exposure to credit risk arises through its multinational corporations. They 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 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 2014

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 2014			As at 31 December 2013 (Restated)		
	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	3,962	–	3,962	4,613	–	4,613
Not past due	64,382	–	64,382	65,365	–	65,365
Past due:						
- Not more than 3 months	31,133	–	31,133	20,320	–	20,320
- More than 3 months and not more than 6 months	249	–	249	199	–	199
- More than 6 months and not more than 12 months	362	–	362	1,353	(1,337)	16
- More than 12 months	–	–	–	4,640	(4,640)	–
	100,088	–	100,088	96,490	(5,977)	90,513

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

The Group	2014	2013
	HK\$'000	HK\$'000 (Restated)
At 1 January	5,977	7,961
Impairment loss recognised (Note 15)	–	7,068
Impairment loss reversed (Note 14)	(247)	(350)
Impairment loss utilised	(5,730)	(8,702)
At 31 December	–	5,977

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

7 Cash and bank balances

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash on hand	295	413	–	–
Cash at banks	74,958	42,375	34,125	5,790
	75,253	42,788	34,125	5,790

Cash and bank balances have effective interest rate of 0.4% per annum (2013 - 0.5%) for the financial year ended 31 December 2014.

8 Share capital

	2014	2013	2014	2013
	Number of ordinary shares of HK\$0.01 each ('000)	Number of ordinary shares of HK\$0.01 each ('000)	HK\$'000	HK\$'000
The Company				
Authorised	20,000,000	20,000,000	200,000	200,000
Issued and fully paid-up ordinary shares	2,025,000	1,352,000	20,250	13,520

Movements of the issued and paid-up capital of the Company are as follows:

	Par value	Number of ordinary shares (‘000)	HK\$'000
The Company			
At 1 January and 31 December 2013	HK\$0.01	1,352,000	13,520
Rights Issue during the year	HK\$0.01	673,000	6,730
At 31 December 2014	HK\$0.01	2,025,000	20,250

On 17 September 2014, the Company issued 673,000,000 new ordinary shares in the capital of the Company at an issue price of S\$0.008 each, pursuant to a renounceable non-underwritten rights issue on the basis of one Rights shares for every two existing ordinary share held by the entitled shareholders. The newly issued shares rank pari passu in all respects with the previously issued shares.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9 Reserves

	Note	The Group		The Company	
		2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)		
Share premium	(a)	197,680	172,697	197,680	172,697
Share option reserve	(b)	633	676	633	676
Reserve for treasury shares	(c)	(1,798)	(1,234)	(1,798)	(1,234)
Translation reserve	(d)	505	1,110	–	–
Accumulated losses		(89,132)	(95,478)	(93,014)	(81,887)
		<u>107,888</u>	<u>77,771</u>	<u>103,501</u>	<u>90,252</u>

- (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.
- (c) Reserve for treasury shares amounting to HK\$1.8 million (2013 - HK\$1.2 million) comprises the cost of Company's shares held by the Group. As at 31 December 2014, the Group held 15 million of the Company's shares (2013 - 6 million). 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.

10 Treasury shares

	No. of ordinary shares		Amount	
	2014	2013	2014	2013
The Company	'000	'000	HK\$'000	HK\$'000
At the beginning of year	6,000	5,000	1,234	1,050
Repurchased during the year	9,000	1,000	564	184
Balance at end of year	<u>15,000</u>	<u>6,000</u>	<u>1,798</u>	<u>1,234</u>

The Company acquired 9 million of its own shares through purchase on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was HK\$0.56 million and has been deducted from the shareholders' equity. The shares are held as "treasury shares". The Company intends to reissue shares to executives who exercised their share options under the Plastoform Employee Share Option Scheme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11 Trade and other payables

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	105,036	113,706	–	–
Other payables and accruals	20,243	16,133	915	–
Loans from directors (non-trade)	–	2,000	–	–
Amount due to companies owned by directors (non-trade)	825	869	731	731
Amount due to subsidiaries (non-trade)	–	–	16,506	16,506
Financial liabilities at amortised cost	126,104	132,708	18,152	17,237
Deposits received in advance	13	5,748	–	–
	126,117	138,456	18,152	17,237

The loans from directors, the amounts due to companies owned by directors and subsidiaries are unsecured, interest-free and repayable on demand.

12 Share-based payment

The Company's Employee Share Option Scheme (the "ESOS") was adopted pursuant to written resolution passed on 21 August 2006.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

12 Share-based payment (cont'd)

Movements in the number of share options outstanding and their exercise price are as follows:

	← 2014 →		← 2013 →	
	Exercise price per share S\$	Options (in '000)	Exercise price per share S\$	Options (in '000)
The Group				
At 1 January	0.037	2,750	0.037	2,750
Less: Share options expired	0.037	(800)	–	–
At 31 December	0.037	1,950	0.037	2,750

13 Revenue

	2014 HK\$'000	2013 HK\$'000 (Restated)
The Group		
Sale of audio products	452,663	353,554
Tooling income	8,528	4,028
Total gross revenue	461,191	357,582
Sales returns and discounts	(87)	(342)
	461,104	357,240

14 Other operating income

	2014 HK\$'000	2013 HK\$'000
The Group		
Bad debt recovered (trade)	–	1,004
Forfeiture of trade deposits from customers	472	–
Government grant income	360	–
Interest income	22	15
Rental income	303	169
Reversal of impairment loss on trade receivables	247	350
Sale of scrap materials	652	1,235
Sponsorship income	232	–
Others	106	–
	2,394	2,773

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15 Profit/(loss) before income tax

	2014 HK\$'000	2013 HK\$'000
The Group		
Profit/(loss) before income tax is arrived at after charging/(crediting):		
<i><u>Included under "cost of sales"</u></i>		
Inventories recognised as an expense in cost of sales	248,119	250,592
Depreciation of plant and equipment	1,768	1,748
Provision for inventory obsolescence	2,397	10,337
Development expenses and laboratory testing costs	2,095	2,698
Staff costs (Note 16)	46,144	46,125
<i><u>Included under "general and administrative expenses"</u></i>		
Audit fees paid to:		
- Auditors of the Company		
- Current year	915	1,221
- Under provision in respect of prior year	308	–
- Other auditors	1,093	261
Bad debts written off	123	–
Depreciation of plant and equipment	2,538	1,296
Development expenses and laboratory testing costs	2,095	2,698
Exchange loss, net	783	865
Legal & professional fee	3,777	4,572
Operating lease expenses	3,301	2,552
Plant and equipment written-off	144	–
Allowance for doubtful trade receivables, net	–	7,068
Staff costs (Note 16)	50,177	42,816

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16 Staff costs

2014

	← Included under →			Total HK\$'000
	Cost of sales HK\$'000	Selling and distribution HK\$'000	General and administrative HK\$'000	
The Group				
Directors' remuneration:-				
- Director fees paid to non-executive directors	–	–	851	851
- Salaries, allowances and pension costs paid to Executive Directors	–	–	5,434	5,434
	–	–	6,285	6,285
Key management personnel other than directors:-				
- Salaries and allowances	–	876	3,713	4,589
- Pension costs – defined contribution plans	–	17	130	147
- Termination benefits	–	284	612	896
	–	1,177	4,455	5,632
Employee benefits expense other than directors and other key management:-				
- Salaries and allowances	42,246	4,076	33,950	80,272
- Termination benefits	–	87	1,420	1,507
- Provision for long service payments	–	–	1,051	1,051
- Social security insurance	3,898	297	3,106	7,211
	46,144	4,460	39,437	90,041
Total	46,144	5,637	50,177	101,958

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16 Staff costs (cont'd)

2013	← Included under →			Total HK\$'000
	Cost of sales HK\$'000	Selling and distribution HK\$'000	General and administrative HK\$'000	
The Group				
Directors' remuneration:-				
- Director fees paid to non-executive directors	—	—	935	935
- Salaries, allowances and pension costs paid to Executive Directors	—	—	5,513	5,513
	—	—	6,448	6,448
Key management personnel other than directors:-				
- Salaries and allowances	—	—	4,239	4,239
- Pension costs – defined contribution plans	—	—	75	75
	—	—	4,314	4,314
Employee benefits expense other than directors and other key management:-				
- Salaries and allowances	42,604	3,733	28,334	74,671
- Termination benefits	—	—	928	928
- Social security insurance	3,521	384	2,792	6,697
	46,125	4,117	32,054	82,296
Total	46,125	4,117	42,816	93,058

17 Income tax expense

Major component of income tax expense

The major components of income tax expense for the year ended 31 December 2014 and 2013 are:

The Group	2014 HK\$'000	2013 HK\$'000
Income tax (PRC Enterprise Income Tax)		
- Current year	484	62
- Under provision in prior years	215	—
	699	62

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17 Income tax expense (cont'd)

Relationship between tax expenses and profit/(loss) before tax

A reconciliation between tax expense and the product of profit/(loss) before tax multiplied by the applicable tax rate for the financial years ended 31 December 2014 and 31 December 2013 is as follows:-

	2014 HK\$'000	2013 HK\$'000
The Group		
Profit/(loss) before income tax	7,002	(35,675)
Tax at the applicable domestic tax rates	2,046	(1,320)
Tax effects of:		
- Expenses not deductible for tax purposes	3,928	1,542
- Income not subject to tax	(53)	(180)
- Tax losses for which no deferred tax assets were recognised	-	20
- Utilisation of previously unrecognised tax losses	(5,437)	-
- Under provision in respect of prior years	215	-
Income tax expense	699	62

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% (2013 - 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 invested enterprises and wholly foreign-owned enterprises in the PRC. Accordingly, the subsidiaries in the PRC are subjected to applicable EIT rate of 25%.

Unrecognised tax losses

As at 31 December 2014, the Group has unutilised tax losses of approximately HK\$52,231,000 (2013 - HK\$85,182,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18 Operating segment

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 to additions to non-current assets, interest income and depreciation expense in relation to the sole operating segment are disclosed below and in Note 3 and 15 respectively.

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

	2014	2013
	HK\$'000	HK\$'000
The Group		
United States of America	287,701	158,089
Europe	168,595	171,225
Asia	4,808	23,227
Others	–	4,699
Total revenue	<u>461,104</u>	<u>357,240</u>

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:-

	2014	2013
	HK\$'000	HK\$'000
Non-current asset – Plant and equipment		
Hong Kong	871	1,265
PRC	16,677	9,598
United States of America	34	–
Total	<u>17,582</u>	<u>10,863</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18 Operating segment (cont'd)

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

	2014	2013
	HK\$'000	HK\$'000
The Group		
Customer A	139,660	116,269
Customer B	106,315	41,315
Customer C	43,985	38,918

19 Earnings/(Loss) per share

	2014	2013
	HK\$'000	HK\$'000
The Group		
Basic earnings/(loss) per share is based on:		
Profit/(loss) attributable to equity holders of the Company	6,303	(35,737)

	Number of shares ('000)	
	2014	2013
The Group		
Issued ordinary shares at beginning of year	1,352,000	1,352,000
Effects of shares issued under Rights Issue	220,524	–
Weighted average number of ordinary shares	1,572,524	1,352,000

Basic earnings/(loss) per share is calculated by dividing the Group's profit/(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 earnings/loss per share.

	2014	2013
	HK\$'000	HK\$'000
The Group		
Diluted earnings/(loss) per share is based on:		
Profit/(loss) attributable to equity holders of the Company	6,303	(35,737)

For the purpose of calculating diluted earnings/(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

19 Earnings/(Loss) per share (cont'd)

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)	
	2014	2013
The Group		
Weighted average number of shares issued, used in calculation of basic earnings per share	1,572,524	1,352,000
Potential ordinary shares issuable under share options	1,950	2,750
Weighted average number of ordinary shares issued and potential shares assuming full conversion	<u>1,574,474</u>	<u>1,354,750</u>

The denominators used are the same in the computation of the basic earnings/loss per share. There are no anti-dilutive options for the year ended 31 December 2013 and 2014.

20 Commitments

Where the Group is the lessee

As at 31 December 2014, the Group has commitment for future minimum lease payment under non-cancellable operating leases for its production factory and office premise in PRC and Hong Kong as follows:

	2014	2013
	HK\$'000	HK\$'000
The Group		
Not later than 1 year	5,485	5,659
Later than 1 year and no later than 5 years	4,499	8,609
Total	<u>9,984</u>	<u>14,268</u>

Where the Group is the lessor

As at 31 December 2014, the Group had the following rental income receivable under non-cancellable operating lease for its factory premise in PRC as follows:

	2014	2013
	HK\$'000	HK\$'000
The Group		
Not later than 1 year	312	221
Later than 1 year and no later than 5 years	546	–
Total	<u>858</u>	<u>221</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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:

	2014	2013
The Group	HK\$'000	HK\$'000
<u>Related parties (companies owned by the directors of the Company)</u>		
Office rental expenses	608	392
Retainer fee	237	220

22 Financial risk management objectives and policies

The Group is 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 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 financial performance.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 activities. The Group, 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 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 does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts 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 adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants 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 credit requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

Credit risk (cont'd)

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 evaluates whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases 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 assessment of their creditworthiness and in accordance with the Group's policy.

In determining the recoverability of trade and other receivables, the Group considers 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 establishes 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 objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group'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 exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

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 performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group focuses on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets as disclosed in Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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

Credit risk (cont'd)

Credit risk concentration profile

As at 31 December 2014, the Group has concentration of credit risk of approximately 41% (2013 - 28%) and 79% (2013 - 38%) of the Group's trade receivables from the Group'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. 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.

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:

	S\$ HK\$'000	Euro HK\$'000	Renminbi HK\$'000	Total HK\$'000
The Group				
At 31 December 2014				
Trade and other receivables	55	336	13,778	14,169
Cash and bank balances	15,091	232	5,782	21,105
Trade and other payables	–	(11)	(79,819)	(79,830)
Tax payables	–	–	(479)	(479)
Net exposure	15,146	557	(60,738)	(45,035)
At 31 December 2013				
Trade and other receivables	–	2,091	16,447	18,538
Cash and bank balances	459	382	7,933	8,774
Trade and other payables	(610)	–	(82,524)	(83,134)
Net exposure	(151)	2,473	(58,144)	(55,822)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 decrease profit before tax by HK\$4.5 million (2013 - decrease loss before tax by HK\$5.6 million). A 10% weakening of Renminbi, Euros, and Singapore dollars against Hong Kong dollars would have had the equal but opposite effect on 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:

	2014 HK\$'000	2013 HK\$'000
The Group		
Loans and receivables		
Trade and other receivables (Note 6)	100,088	90,513
Cash and cash equivalents (Note 7)	75,253	42,788
	<u>175,341</u>	<u>133,301</u>
Financial liabilities at amortised cost		
Trade and other payables (Note 11)	<u>126,104</u>	<u>132,708</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

22 Financial risk management objectives and policies (cont'd)Fair values (cont'd)Financial instruments by category (cont'd)

	2014	2013
The Company	HK\$'000	HK\$'000
Loans and receivables		
Trade and other receivables (Note 6)	25,170	32,611
Cash and cash equivalents (Note 7)	34,125	5,790
	<u>59,295</u>	<u>38,401</u>
Financial liabilities at amortised cost		
Trade and other payables (Note 11)	<u>18,152</u>	<u>17,237</u>

23 Capital management

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditure. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

There were no changes in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is defined as the aggregate sum of short-term and long-term loans and borrowings less cash and cash equivalents. Capital includes equity attributable to the equity holders. As at 31 December 2014, the Group did not have external short-term and long-term loans and borrowings and was in a net cash position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

24 Prior year adjustments and reclassifications

During the course of audit, management identified an understatement of sales and over-statement of cost of sales in respect of financial year ended 31 December 2013 amounting to HK\$2.75 million and HK\$2.43 million respectively.

The understatement of sales was mainly due to misinterpretation of Incoterms of certain sales transactions entered with a new customer where the risk and rewards should have been transferred to the customer before 31 December 2013, while the overstatement of cost of sales was due to certain goods in transit that were produced by the Company's subsidiary which were not capitalised in the books of the another receiving subsidiary as at the balance sheet date. The risks and rewards of goods in transits have not been transferred to the end customer as at 31 December 2013.

Management corrected the material prior year's error identified above retrospectively by restating the comparative amounts for the prior period's consolidated balance sheet and 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:

	As reported	Prior year adjustments	Reclassification	Total
The Group	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Statement of comprehensive income for the financial year ended 31 December 2013				
Revenue	354,487	2,753	–	357,240
Cost of sales	(315,458)	2,427	(169)	(313,200)
Other operating income	2,604	–	169	2,773
Statement of financial position as at 31 December 2013				
Inventories	62,912	6,058	–	68,970
Trade and other receivables	104,373	2,753	–	107,126
Reserves	68,960	8,811	–	77,771

25 Subsequent event

Subsequent to year end, the board of directors proposes a final dividend of HK\$0.00133 per ordinary share subject to the shareholders' approval of the dividend at the upcoming Annual General Meeting to be held on 29 April 2015 and amendment to the Company's By-laws to allow payment of the dividends from the current year's profit in accordance with Bermuda Law at a Special General Meeting to be held immediately after the Annual General Meeting.

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2015

Class of shares	:	Ordinary shares of HK\$0.01 each
Authorised share capital	:	HK\$200,000,000
Issued and fully paid-up capital (including treasury shares)	:	HK\$20,250,000
Issued and fully paid-up capital (excluding treasury shares)	:	HK\$20,100,000
No. of issued shares (excluding treasury shares)	:	2,010,000,000
Number/Percentage of treasury shares	:	15,000,000 (0.74%)
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	No of Shareholders	%	No of Shares	%
1 – 99	32	3.02	376	0.00
100 – 1,000	44	4.15	44,000	0.00
1,001 – 10,000	179	16.89	1,173,000	0.06
10,001 – 1,000,000	718	67.73	133,300,000	6.63
1,000,001 and above	87	8.12	1,875,482,624	93.31
Total	1,060	100.00	2,010,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name	Direct Interest	%	Deemed Interest	%
Konkin Limited	594,787,500	29.59	–	–
Chiu Kwong Fai (Note 1)	150,000,000	7.46	594,787,500	29.59
Tse Kin Man (Note 1)	150,000,000	7.46	594,787,500	29.59
Winmark Investments Pte. Ltd.	215,000,000	10.70	–	–
Tan Tien Hin, Winston (Note 2)	–	–	215,000,000	10.70
Amy Lim Sioh Tin (Note 2)	–	–	215,000,000	10.70
Ang Kong Hua (Note 3)	122,887,407	6.11	100,500,000	5.00

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. Tan Tien Hin, Winston and Amy Lim Sioh Tin are deemed to be interested in the share held by Winmark Investments Pte. Ltd. ("Winmark") by virtue of their shareholdings of 50% each in Winmark.
3. Ang Kong Hua has deemed interested in 100,500,000 shares held by Raffles Nominees (Pte) Ltd.

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2015

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2015

No.	Name	No. of Shares	%
1	KONKIN LIMITED	594,787,500	29.59
2	WINMARK INVESTMENTS PTE LTD	215,000,000	10.70
3	CHIU KWONG FAI	150,000,000	7.46
4	TSE KIN MAN	150,000,000	7.46
5	RAFFLES NOMINEES (PTE) LTD	144,466,000	7.19
6	ANG KONG HUA	122,887,407	6.11
7	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	46,662,000	2.32
8	ASTRALINK TECHNOLOGY PTE LTD	39,891,000	1.98
9	CHUA KENG LOY	38,315,000	1.91
10	CITIBANK NOMINEES SINGAPORE PTE LTD	28,448,000	1.42
11	OCBC SECURITIES PRIVATE LTD	27,683,217	1.38
12	MAYBANK KIM ENG SECURITIES PTE LTD	26,193,000	1.30
13	TAN YONG HUI, BRIAN	25,800,000	1.28
14	DBS VICKERS SECURITIES (S) PTE LTD	23,624,000	1.18
15	GOH GEOK LING	20,003,000	1.00
16	KISO ENGINEERING (S) PTE LTD	15,110,000	0.75
17	UOB KAY HIAN PTE LTD	10,509,000	0.52
18	P'NG CHIN GUAN	10,000,000	0.50
19	PHILLIP SECURITIES PTE LTD	8,713,500	0.43
20	GOH TCHENG HION	8,251,000	0.41
		<u>1,706,343,624</u>	<u>84.89</u>

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 Grand Mercure Roxy Hotel, 50 East Coast Road, Roxy Square, Roxy 1 Room, Level 4, Singapore 428769 on Wednesday, 29 April 2015 at 10.00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**
2. Subject to the Amendments to the Bye-laws (as defined in Explanatory Note (ii)) being approved by the shareholders at the Special General Meeting to be held immediately after the Annual General Meeting and becoming effective, to approve and declare a final dividend of HK\$0.00133 per ordinary share as recommended by the Directors for the year ended 31 December 2014.
[See Explanatory Note (i)] **(Resolution 2)**
3. To re-elect Mr Fong Hean Chuan retiring pursuant to Bye-law 86(1) of the Company's Bye-laws. **(Resolution 3)**

Mr Fong Hean Chuan will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered 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\$140,000 for the year ended 31 December 2014 (2013: S\$155,000). **(Resolution 4)**
5. To re-appoint Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
6. 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:

7. **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, authority be given to the Directors of the Company to issue shares ("**Shares**") whether by way of rights, bonus or otherwise, and/ or 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) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares of the Company (excluding treasury shares) as at the date of the passing of this Resolution, after adjusting for:
- (i) new shares arising from the conversion or exercise of convertible securities;
 - (ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- (c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.
- [See Explanatory Note (ii)] (Resolution 6)

8. Authority to allot and issue shares under the Plastoform Employees' Share Option Scheme

That pursuant to the Companies Act of Bermuda and Rule 845 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Plastoform Employees' Share Option Scheme ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen percent (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.

[See Explanatory Note (iii)] (Resolution 7)

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 percent. (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 Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] (Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

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 2014 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 9)**
[See Explanatory Note (v)]

By Order of the Board
Liu Wai Man
Cheng Lisa
Company Secretaries

Singapore, 6 April 2015

Explanatory Notes:

- (i) The existing Bye-law 138 of the Bye-laws of the Company states that *"No dividend shall be paid or distribution made if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts."*

Subject to shareholder approval being obtained at the Special General Meeting to be immediately after the Annual General Meeting, it is proposed that the Bye-laws be amended to reflect the position under Bermuda law following amendments made to the Bermuda Companies Act pursuant to the Companies Amendment (No. 2) Act 2011 of Bermuda which revised the statutory solvency test set out in Section 54 of the Bermuda Companies Act (and which is reflected in Bye-law 138) ("**the Amendments to the Bye-laws**"). The first branch of the solvency test is the cash flow test and the second branch is the balance sheet test. Previously, the balance sheet test was measured with reference to the difference between the realisable value of a company's assets and the aggregate of its liabilities and its issued share capital and share premium accounts. Following the introduction of the Companies Amendment (No. 2) Act 2011 of Bermuda, the appropriate measure is now between the realisable value of the company's assets and its liabilities and there is no longer any reference in the law to the company's issued share capital and share premium accounts.

Please refer to the Circular to Shareholders dated 6 April 2015 for further information in relation to the Proposed Amendments to the Bye-laws.

- (ii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.

NOTICE OF ANNUAL GENERAL MEETING

- (iii) The Ordinary Resolution 7 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 from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme and any other share plan which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company.
- (iv) The Ordinary Resolution 8 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 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (v) The Ordinary Resolution 9 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 2014 accompanying this Notice.

Notes:

1. A Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. If a Depositor wishes to appoint a proxy/proxies to attend the Meeting, then he/she must complete and deposit the Depositor Proxy Form at the office of the Singapore Share Transfer Agent, B.A.C.S. Private Limited 63 Cantonment Road, Singapore 089758, at least forty-eight (48) hours before the time of the Meeting.
3. 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.

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.

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