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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED  
("SGX-ST") ON THE UNAUDITED FINANCIAL STATEMENTS FOR SECOND QUARTER ENDED  
30 JUNE 2019**

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The Board of Directors (the "**Board**") of PLASTOFORM HOLDINGS LIMITED (the "**Company**") refers to the following queries raised by the SGX-ST on 21 August 2019 and would like to provide additional information in relation to the Company's announcement on unaudited financial statements for second quarter ended 30 June 2019 ("**2Q2019**") released on 13 August 2019, as follows:

**SGX-ST's Query 1:**

In the Company's 2Q2019 results, the Company disclosed that Revenue decreased by 66% due to the downturn of the consumer audio industry. Please elaborate why the downturn of the consumer audio industry has caused the Gross Profit margin to increase and explain what are the specific factors that caused the contradiction of performance results of the Company with the trend in the industry.

**Company's response:**

Due to the significant downturn in the consumer audio industry, our major ODM customers suffered financial difficulties: one major customer filed for the Chapter 11 bankruptcy protection in August, 2018; another one sold its audio business to third party; another customer transformed its business into licensing business. The Company shut down its production facility in Shenzhen, People's Republic of China in September 2018, to avoid further losses arising from idle capacity. On the other hand, the Company developed its own "in-house" designed products under Monster brand to the market starting from 4Q 2018. Working with manufacturing partners, the Company is able to secure the profit margin for such new licensing business due to flexibility, low-cost operation and variety of products offered.

**SGX-ST's Query 2:**

On page 2 of the Company's 2Q2019 results, the Company disclosed Reversal on trade receivables amounting to HK\$751,000. Please disclose the identity of the debtor and how long has the debt been outstanding. Please disclose the reason that the customer was able to repay suddenly and are there any balance due from this customer. If so, please quantify.

**Company's response:**

The amount reversed on trade receivable was approximately HK\$969,000, offset by the additional impairment loss of approximately HK\$218,000. The former was the impairment reversed for trade receivable due from Monster LLC. The latter was impairment on disputed trade receivable due from Dell Inc.

In 2Q & 3Q 2018, the Company made the impairment on trade receivables of HK\$10.6 million due from Monster LLC for the invoices billed from Oct 2017 to May 2018. In November, 2018, the Company entered into a settlement agreement with Monster LLC, in which part of outstanding will be offset against licensing royalty fee and half will be repaid by instalments commencing from Jan 2019. Due to uncertainty on execution, it was decided not to reverse the impairment loss until the Company either receives the instalment payments or recovers through the royalty fee payable to Monster licensing sales.

Up to end of June, 2019, the Company received the payment of approximately HK\$339,000 (Payment was stopped since April 2019 as per requested by Monster LLC), offset through the royalty fee of approximately HK\$282,000 and amount due to Monster's related company, approximately HK\$348,000.

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

On page 3 of the Company's 2Q2019 results, the Company disclosed Other payables and accruals amounting to HK\$6.309mil, Contract liabilities amounting to HK\$5.747mil. Please provide a breakdown and elaborate on each material item.

**Company's response:**

Other payables and accruals	30/6/2019 HK\$ m	Remarks
Compensation	4.2	Relinquishing of directors' service agreements.
Directors' fee	0.4	Fees for Jan to Apr 2019
Audit fee	0.4	Monthly accrual for 2019 audit
Others	1.3	Including accruals for wages, double pay, professional fees, operating expenses, withholding tax and so on.
Total:	6.3	

Contract liabilities	30/6/2019 HK\$ m	Remarks
ODM- customer A	1.1	Deposits received for tooling & sales orders
ODM-customer B	1.0	Deposits received for sales orders
ODM-customer C	0.7	Deposits received for tooling
ODM-customer D	0.5	Deposits received for tooling
Licensing –customer E	1.1	Deposits received for sales orders
Licensing-customer F	0.7	Deposits received for sales orders
Other customers	0.6	Deposits received for sales orders
Total:	5.7	

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

On page 9 of the Company's 2Q2019 results, the Company disclosed that "On the other hand, the new licensing business just started in Q1 2019 and still needed time to pick up." Please elaborate on the performance of this new licensing business and who are the major customers and what is the outlook for this business. Please explain why is this segment counter cyclical with higher margin. Please disclose the payment terms for the licensing business and if the payment is in cash. Please disclose the gross profit margin booked on these sales.

Of the HK\$ 5.48 mil revenue, what is the amount of licensing revenue booked for 2Q2019. Please disclose the identity of the licensing revenue client and whether this is a related or interested person.

**Company's response:**

The Company started to penetrate the channels to distribute the products in APAC. Customer E and Customer F were major customers. Initial feedback from the market was very positive and the business exhibited good potential. The payment terms for the licensing business were deposits plus payment before shipments. The gross profit margin was around 20%.

Of the HK\$5.5m, HK\$3.5m was revenue generated from new licensing business. Customer E and Customer F were not related to interested persons.

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

Please provide a commentary on whether and how the Company's current financial statements is in line or deviates from the disclosure in paragraph 10 of the previously announced latest financial results.

**Company's response:**

The Company's current financial statements is generally in line with the disclosure in paragraph 10 of the previously announcement latest financial results, but the performance was slightly deviated from our projections due to the impact from the Sino-US trade war.

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

The Group is in a negative equity position of HK\$ 6.444 million and negative working capital of HK\$ 7.048 million as at 30 June 2019, and has generated negative cash flow from operating activities of HK\$ 1.751 million. Please elaborate how the Company is able to operate as going concern and provide the basis for the Board's view. Please provide the Board's views on how the Company is able to finance its operational needs and short term obligations as and when they fall due in the next 12 months and substantiate with data, and the basis for the Board's views.

**Company's response:**

The Company underwent the reorganization and cost management exercise, to reduce the operation expenses substantially from July 2019. Meanwhile, under the new licensing initiatives, our sales have shown positive growth and this would lead to a marked improvement in our financial performance in the immediate future. The Company is actively seeking for the new funds from prospective investors and possible M&As with potential business partners. With the above-mentioned actions, the Board is of the opinion that the Company will be able to operate as a going concern.

BY ORDER OF THE BOARD

Tse Kin Man  
Non-Executive Chairman and Director

23 August 2019