

Unaudited Financial Statements for the 2nd Quarter and 1st Half Ended 31 December 2018

The Board of Directors of PCI Limited is pleased to announce the half-year financial statements on consolidated results for the six months period ended 31 December 2018. These figures have not been audited.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	The Group					
	2 nd quarter ended 31/12/2018 US\$'000	2 nd quarter ended 31/12/2017 US\$'000	% increase/ (decrease)	1 st half ended 31/12/2018 US\$'000	1 st half ended 31/12/2017 US\$'000	% increase/ (decrease)
Revenue	44,169	78,211	(43.5%)	100,364	148,853	(32.6%)
Cost of sales:						
Raw material and consumables	(31,893)	(61,979)	(48.5%)	(74,149)	(116,170)	(36.2%)
Manufacturing expenses	(5,914)	(6,880)	(14.0%)	(12,098)	(13,545)	(10.7%)
Direct depreciation/amortisation	(688)	(656)	4.9%	(1,352)	(1,204)	12.3%
	(38,495)	(69,515)	(44.6%)	(87,599)	(130,919)	(33.1%)
Gross profit	5,674	8,696	(34.8%)	12,765	17,934	(28.8%)
Other income	278	173	60.7%	603	441	36.7%
Other expenses:						
Business development expenses	(1,113)	(1,316)	(15.4%)	(2,300)	(2,608)	(11.8%)
General and administrative expenses	(1,698)	(2,143)	(20.8%)	(3,592)	(4,580)	(21.6%)
Indirect depreciation	(234)	(203)	15.3%	(479)	(388)	23.5%
Foreign exchange (loss)/gain	(22)	(308)	(92.9%)	384	(544)	n.m.
	(3,067)	(3,970)	(22.7%)	(5,987)	(8,120)	(26.3%)
Profit before tax	2,885	4,899	(41.1%)	7,381	10,255	(28.0%)
Income tax expense						
Current period	(377)	(955)	(60.5%)	(1,380)	(2,041)	(32.4%)
Prior period	9	(66)	n.m.	9	(66)	n.m.
Profit for the period	2,517	3,878	(35.1%)	6,010	8,148	(26.2%)
Attributable to:						
Equity holders of the Company	2,517	3,878	(35.1%)	6,010	8,148	(26.2%)

Notes to the Income Statement:

n.m. : not meaningful

Statements of comprehensive income

For the second quarter and first half ended 31 December 2018

	The Group					
	2 nd quarter ended 31/12/2018 US\$'000	2 nd quarter ended 31/12/2017 US\$'000	% increase/ (decrease)	1 st half ended 31/12/2018 US\$'000	1 st half ended 31/12/2017 US\$'000	% increase/ (decrease)
Profit for the period	2,517	3,878	(35.1%)	6,010	8,148	(26.2%)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations	142	391	(63.7%)	(475)	704	n.m.
Other comprehensive gain/(loss) for the period, net of tax	142	391	(63.7%)	(475)	704	n.m.
Total comprehensive income for the period	2,659	4,269	(37.7%)	5,535	8,852	(37.5%)
Total comprehensive income attributable to:						
Equity holders of the Company	2,659	4,269	(37.7%)	5,535	8,852	(37.5%)

Notes to the statement of comprehensive income:

n.m. : not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	The Group		The Company	
	31/12/2018 US\$'000	30/06/2018 US\$'000	31/12/2018 US\$'000	30/06/2018 US\$'000
Assets				
Current assets				
Cash and bank balances	44,650	57,974	38,042	54,353
Trade receivables	34,765	39,301	32,805	36,621
Contract assets	-	985	3	1,028
Other receivables and prepayments	1,701	1,928	1,091	1,436
Amounts due from subsidiaries	-	-	681	605
Inventories	43,396	38,793	37,970	34,356
	<u>124,512</u>	<u>138,981</u>	<u>110,592</u>	<u>128,399</u>
Non-current assets				
Property, plant and equipment	10,605	10,603	7,116	6,752
Prepaid lease payments	17,369	17,734	15,336	15,563
Investments in subsidiaries	-	-	12,176	12,176
Other assets	80	80	80	80
Deferred tax assets	104	105	-	-
	<u>28,158</u>	<u>28,522</u>	<u>34,708</u>	<u>34,571</u>
Total assets	<u>152,670</u>	<u>167,503</u>	<u>145,300</u>	<u>162,970</u>
Equity and liabilities				
Current liabilities				
Trade payables	37,299	44,224	31,158	36,769
Other payables and provision	11,979	16,800	8,147	12,569
Contract liabilities	44	-	-	-
Amounts due to subsidiaries	-	-	14,385	18,330
Income tax payable	3,489	4,968	3,307	4,447
	<u>52,811</u>	<u>65,992</u>	<u>56,997</u>	<u>72,115</u>
Non-current liabilities				
Deferred tax liabilities	787	786	787	786
Defined benefit obligations	203	205	-	-
	<u>990</u>	<u>991</u>	<u>787</u>	<u>786</u>
Total liabilities	<u>53,801</u>	<u>66,983</u>	<u>57,784</u>	<u>72,901</u>
Equity attributable to equity holders of the Company				
Share capital	44,667	44,667	44,667	44,667
Foreign currency translation reserve	(380)	95	-	-
Retained earnings	54,582	55,758	42,849	45,402
	<u>98,869</u>	<u>100,520</u>	<u>87,516</u>	<u>90,069</u>
Total equity	<u>98,869</u>	<u>100,520</u>	<u>87,516</u>	<u>90,069</u>
Total equity and liabilities	<u>152,670</u>	<u>167,503</u>	<u>145,300</u>	<u>162,970</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/12/2018		As at 30/06/2018	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31/12/2018		As at 30/06/2018	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Nil.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	2 nd quarter ended		1 st half ended	
	31/12/2018 US\$'000	31/12/2017 US\$'000	31/12/2018 US\$'000	31/12/2017 US\$'000
Cash flows from operating activities				
Profit before tax	2,885	4,899	7,381	10,255
Adjustments for:				
Depreciation of property, plant and equipment	757	687	1,500	1,250
Amortisation of prepaid lease payments	165	171	331	342
Gain on disposal of property, plant and equipment	(1)	(10)	(31)	(39)
Gain on disposal of other assets	-	-	-	(32)
Interest income	(188)	(57)	(399)	(149)
Foreign exchange loss/(gain)	43	259	(330)	707
Operating profit before working capital changes	3,661	5,949	8,452	12,334
Trade receivables and contract assets	3,005	713	5,521	(6,768)
Other receivables and prepayments	877	1,503	255	1,360
Other assets	-	-	-	213
Inventories	(5,984)	5,758	(4,603)	(10,916)
Trade payables, other payables, contract liabilities and provision	(6,414)	(6,761)	(11,704)	7,315
Cash (used in)/generated from operations	(4,855)	7,162	(2,079)	3,538
Interest received	265	124	371	190
Income tax paid	(1,944)	(1,093)	(2,749)	(1,307)
Net cash flows (used in)/generated from operating activities	(6,534)	6,193	(4,457)	2,421
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	31	10	83	39
Purchase of property, plant and equipment	(951)	(1,481)	(1,664)	(3,304)
Net cash flows used in investing activities	(920)	(1,471)	(1,581)	(3,265)
Cash flows from financing activities				
Dividends paid on ordinary shares	(7,186)	(5,121)	(7,186)	(5,121)
Net cash flows used in financing activities	(7,186)	(5,121)	(7,186)	(5,121)
Net decrease in cash and bank balances	(14,640)	(399)	(13,224)	(5,965)
Cash and bank balances at beginning of period	59,375	34,267	57,974	39,929
Effect of currency translation on balances held in foreign currencies	(85)	93	(100)	(3)
Total cash and cash equivalents	44,650	33,961	44,650	33,961

1(d)(i) A statement (for the issuer and group) showing either

- (i) all changes in equity or
(ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Share capital	Foreign currency translation reserve	Retained earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
Balance at 1 July 2017	44,667	1,191	41,507	87,365
Adoption of SFRS (I)	-	(1,191)	1,191	-
Balance at 1 July 2017 (Restated)	44,667	-	42,698	87,365
Total comprehensive income for the period	-	312	4,270	4,582
Balance at 30 September 2017	44,667	312	46,968	91,947
Total comprehensive income for the period	-	392	3,878	4,270
Dividends paid	-	-	(5,121)	(5,121)
Balance at 31 December 2017	44,667	704	45,725	91,096

Balance at 1 July 2018	44,667	1,286	54,567	100,520
Adoption of SFRS (I)	-	(1,191)	1,191	-
Balance at 1 July 2018 (Restated)	44,667	95	55,758	100,520
Total comprehensive (loss)/income for the period	-	(617)	3,493	2,876
Balance at 30 September 2018	44,667	(522)	59,251	103,396
Total comprehensive income for the period	-	142	2,517	2,659
Dividends paid	-	-	(7,186)	(7,186)
Balance at 31 December 2018	44,667	(380)	54,582	98,869

	Share capital	Retained earnings	Total
	US\$'000	US\$'000	US\$'000
Company			
Balance at 1 July 2017	44,667	35,896	80,563
Total comprehensive income for the period	-	3,568	3,568
Balance at 30 September 2017	44,667	39,464	84,131
Total comprehensive income for the period	-	3,293	3,293
Dividends paid	-	(5,121)	(5,121)
Balance at 31 December 2017	44,667	37,636	82,303
Balance at 1 July 2018	44,667	45,402	90,069
Total comprehensive income for the period	-	2,433	2,433
Balance at 30 September 2018	44,667	47,835	92,502
Total comprehensive income for the period	-	2,200	2,200
Dividends paid	-	(7,186)	(7,186)
Balance at 31 December 2018	44,667	42,849	87,516

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital since the end of the previous period reported on.

There were no outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company had no treasury shares and subsidiary holdings as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

As at 31 December 2018, the total number of issued shares excluding treasury shares was 199,099,000 (30 Jun 2018: 199,099,000).

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have neither been audited nor reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph (5) below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as compared to those applied in the most recently audited financial statements as at 30 June 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (international), a new financial reporting framework identical to International Financial Reporting Standards. The Group has adopted the new financial reporting framework and applied the following new accounting standards on 1 July 2018:

- SFRS(I) 15 Revenue from Contracts with Customers
- SFRS(I) 9 Financial Instruments

The adoption of the new financial reporting framework and accounting standards did not have any material impact on the financial statements, except as described below:

a) Application of SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International)

On transition to the new financial reporting framework, the Group has elected the option in SFRS(I) 1 to deem cumulative translation differences for foreign operations to be zero on 1 July 2017, and accordingly, the gain or loss recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 July 2017.

As a result, the Group reclassified an amount of USD 1,191,000 of foreign currency translation reserve to the opening retained earnings as at 1 July 2017.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary share for the period based on profit attributable to equity holders of the Company after deducting any provision for preference dividends:-

- (i) Based on the weighted average number of ordinary shares on issue US cents
- (ii) On a fully diluted basis US cents

The Group			
2 nd quarter ended		1 st half ended	
31/12/2018	31/12/2017	31/12/2018	31/12/2017
1.26	1.95	3.02	4.09
1.26	1.95	3.02	4.09

Earnings per ordinary share have been computed based on the average number of ordinary shares outstanding during the year.

Average number of ordinary shares		Average number of ordinary shares	
2 nd quarter ended		1 st half ended	
31/12/2018	31/12/2017	31/12/2018	31/12/2017
199,099,000	199,099,000	199,099,000	199,099,000

Note: Group basic earnings per share was the same as the fully diluted earnings per share as the Group did not have any potential dilutive ordinary shares outstanding as at 31 December 2018 and 2017.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :

- (a) current financial period reported on; and
- (b) immediately preceding financial year

Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on

- (a) The Group US cents
- (b) The Company US cents

As at	As at
31/12/2018	30/06/2018
49.66	50.49
43.96	45.24

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on , including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

A) Profit and Loss

The Group recorded a first half revenue of USD 100.36 million and USD 6.01 million net profit attributable to equity holders. As compared to the previous year, revenue and net profit attributable to equity holders decreased by 32.6% and 26.2% respectively.

For the 2nd quarter ended 31 December 2018, the Group achieved revenue of USD 44.17 million. This was 43.5% lower compared to the same period last year. Gross profit for this reporting period was USD 5.67 million or 34.8% lower compared to last year. As a result, Group net profit attributable to equity holders was USD 2.52 million or 35.1% lower compared to the same period last year. Earnings per share for this quarter was 1.26 USD cents.

The decline in revenue as compared to the same period last year was attributed to the lack of strong orders experienced in the previous year. The reduction in cost of sales was mainly due to lower revenue and shipment with lower material content in this reporting period. Business development and G&A expenses decreased by 15.4% and 20.8% respectively due mainly to lower staff costs and expenses. Despite lower revenue in this reporting period, net profit margin for quarter two and the first half of this reporting period improved to 6.0% as compared 5.0% in the same period last year.

B) Financial position and cash flow

The balance sheet and the financial position of the Group remain strong. Total assets and liabilities stood at USD 152.67 million and USD 53.80 million respectively. The cash and bank balances as at 31 December 2018 was USD 44.65 million compared to USD 57.97 million as at 30 June 2018. The trade receivables of USD 34.77 million, trade payables of USD 37.30 million, other payables and provision of USD 11.98 million and inventories of USD 43.40 million were in line with the business activities.

For this reporting period, net cash used in operating activities was USD 4.46 million. Net cash used in investment activities was USD 1.58 million and dividend payment was USD 7.19 million. The total net decrease in cash and bank balances was USD 13.22 million, bringing the total cash and bank balances to USD 44.65 million as at 31 December 2018. Total shareholders fund was USD 98.87 million and the Group's net asset value (NAV) per share was USD 49.66 cents as at 31 December 2018.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The global business climate remains uncertain, weighed down by weakening financial sentiment, trade policy uncertainty and China growth concerns. As such, the directors remains cautious about the Group's business outlook for the next 6 to 12 months and will continue to exercise prudent cost management.

Other Matters

On 4 January 2019, the Company and Pagani Holding III Limited (the "Offeror") jointly announced (the "Joint Announcement") the proposed acquisition (the "Acquisition") by the Offeror of all the issued and paid-up ordinary shares in the Company (the "Shares"). The Acquisition will be effected by way of a scheme of arrangement pursuant to Section 210 of the Companies Act, Chapter 50 of Singapore and the Singapore Code on Take-overs and Mergers (the "Scheme"). The Scheme is conditional upon the Scheme Conditions (as defined in the Joint Announcement) having been satisfied or waived no later than 5.00 p.m. on 30 June 2019 (or such other date as the Offeror and the Company may agree in writing).

Upon the Scheme becoming effective and binding, the Company will become a wholly-owned subsidiary of the Offeror and will, subject to the approval of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), be delisted from the Mainboard of the SGX-ST.

Please refer to the Joint Announcement, copy of which is available on the website of the SGX-ST at <http://www.sgx.com>, for further information. Further information on the Scheme will be despatched to Shareholders in due course.

The Company has prepared a separate set of interim condensed consolidated financial statements for the six months ended 31 December 2018 in accordance with Singapore Financial Reporting Standards (International) 1-34 Interim Financial Reporting to comply with the requirements of Singapore Code on Take-overs and Mergers. The Company's auditors, Ernst & Young LLP, has reviewed the interim condensed consolidated financial statements for the six months ended 31 December 2018 in accordance with Singapore Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The auditor's report on such interim condensed consolidated financial statements is provided in a separate attachment.

11. Dividend

(a) Current Financial Period Reported On

Name of dividend	:	Nil
Dividend type	:	Nil
Dividend amount per share	:	Nil
Tax rate	:	Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of dividend	:	Nil
Dividend type	:	Nil
Dividend amount per share	:	Nil
Tax rate	:	Nil

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

The Company did not declare any dividend for the period ended 31 December 2018.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company has not obtained a general mandate from shareholders for Interested Person Transactions.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of the Company hereby confirms that to the best of its knowledge, nothing has come to the attention of the Directors of the Company which may render the unaudited financial results for the first half ended 31 December 2018 to be false or misleading, in any material respect.

15. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company hereby confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

16. Responsibility Statement

The Directors of the Company (including any who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that, where appropriate, no material facts have been omitted from this Announcement, and the Directors of the Company jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors of the Company has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

BY ORDER OF THE BOARD

Valerie Tan May Wei
COMPANY SECRETARY
14th February 2019