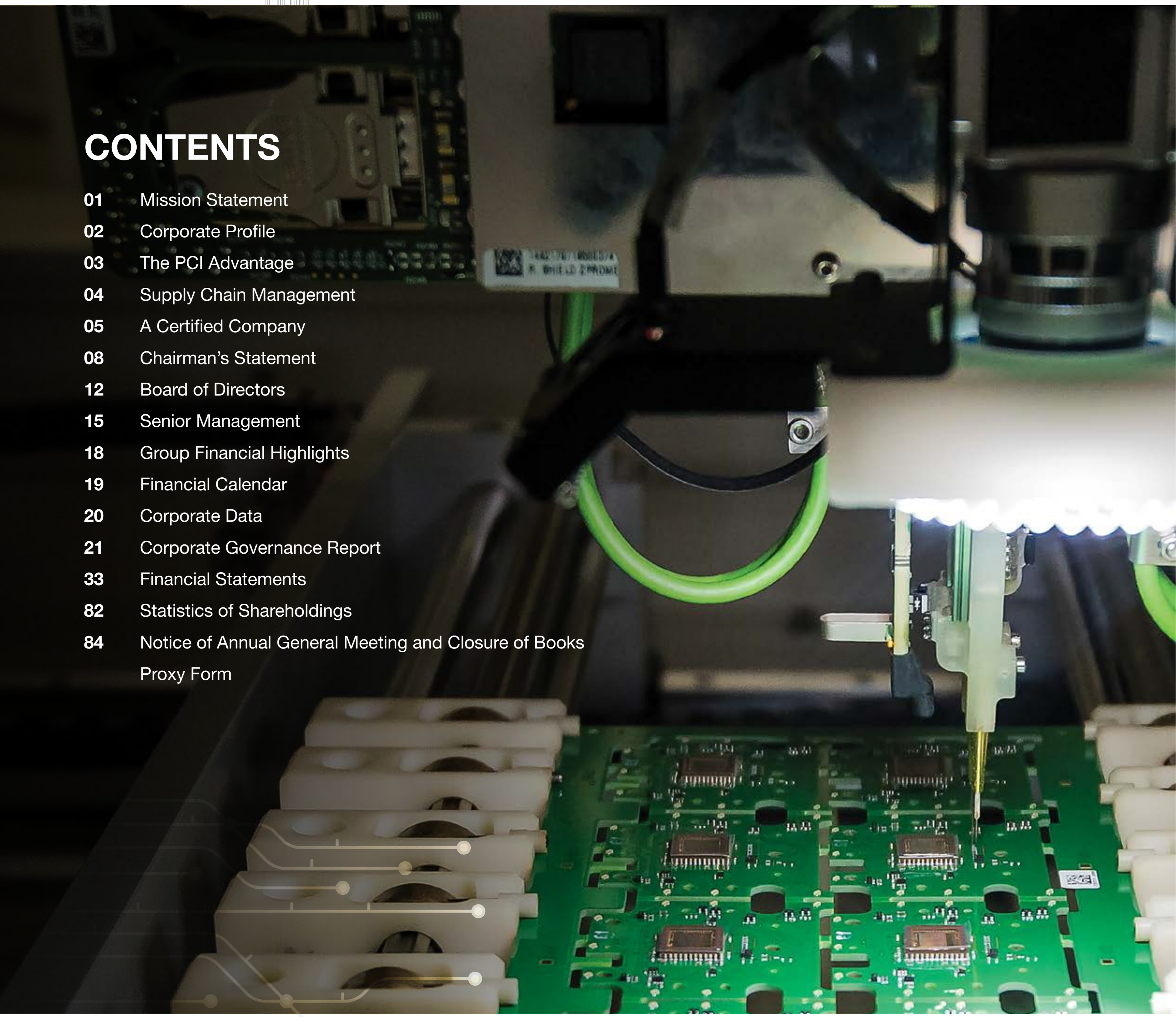
PCI LIMITED

Annual Report 2018

INTEGRATING **OUR STRENGTHS**

INTEGRATING
OUR STRENGTHS

Over the years we have nurtured and developed diverse strengths, qualities and assets which we will continue to integrate to enable us to build value that can last for the long-term and to stay ahead of the curve in terms of technology, competition and challenging business environment.



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MISSION STATEMENT

PCI aims to be a leading global high technology electronics manufacturing services company.

PCI delivers high quality, high value and timely supply chain solutions at competitive cost.

PCI's strategy is to extend its core competency through alliances with a network of technology partners and suppliers to create optimal solutions for customers.

CORPORATE PROFILE

Headquartered in Singapore, PCI Limited ("PCI") is a specialist in electronics manufacturing services. We deliver quality end-to-end manufacturing supply chain solutions that create competitive advantages for leading technology companies worldwide. With over 40 years' experience, we ensure our global clientele receive the quickest time to market ("TTM") possible at the right price and performance points, and with the highest standards.

Our suite of services extends to all points in the manufacturing outsourcing cycle, comprising design, manufacturing engineering, material sourcing and procurement, assembly, testing and logistics. From the launch of new products to improving the competitiveness of existing projects, we remain dedicated to enhancing value at every step of the supply chain.

Our specialities lie in a wide range of innovations that include networking to wireless communications, home appliances to display modules for mobile communications, and diverse medical, industrial and automotive products. To date, we have been entrusted to deliver printed circuit board assembly, user interface panels and complete box build.

As an innovative product design partner to our blue-chip customers, we maintain an uncompromising stance on quality. Aimed at driving product reliability, we emphasise testing and reliable analysis during the design and development phases. We also operate an in-house laboratory where we conduct design verification testing ("DVT") and partner TUV-SUD Singapore for comprehensive environmental qualification tests ("EQTs") and electromagnetic compatibility ("EMC") tests.

Our commitment to high quality, strong value and timely solutions have earned us a reputation as a dependable partner. Over the years, we have established long-term partnerships with several industry leaders – a testament to our ability to deliver.

In May 1992, PCI was listed on the then Sesdaq of the Singapore Exchange Securities Trading Limited ("SGX-ST"). We were later transferred to the Mainboard of the SGX-ST in May 1995.

We strive to offer our customers best-in-class service. To this end, we constantly improve our competencies and capabilities, thereby ensuring we stay relevant and remain at the forefront of our industry.

THE PCI ADVANTAGE

CUSTOMER CENTRIC ORGANISATION

Our commitment to better serve our customers has seen us continually evaluating and enhancing our organisational systems over the years. Alongside boosting the effectiveness of our organisational structure, we are dedicated to improving the efficiency of our internal processes. At PCI, we value long-term partnerships with our customers.

VAST EXPERIENCE

PCI has been providing manufacturing solutions for over 40 years. Our vast experience arms us with a clear understanding of our customers' technology and supply chain needs – thereby allowing us to anticipate issues and create solutions that meet their precise project requirements. Leveraging our employees' in-depth knowledge of all aspects of electronics manufacturing, and PCI's network of technology and supply chain partners, we are well-positioned to deliver quality services and solutions that adhere to top industry standards.

HIGH FLEXIBILITY AND CAPACITY

With manufacturing facilities in Batam, Indonesia and Kunshan, China, PCI has both the flexibility and capacity to tackle the demands of low-to-high volume projects, including high value and high product mix needs.

IN-HOUSE DESIGN EXPERTISE

PCI owns engineering design and development centres in Singapore, Manila, the Philippines and Bandung, Indonesia; thus assuring customers of complete control over the development process. Our centres are capable of producing global positioning systems, radio frequency, liquid crystal modules, control panels, printed circuit boards and mechanical design.

The PCI design teams create product manufacturability and test solutions for any stage of the development process – from initial design concepts to the final touches. Our design engineers work closely with our customers' engineers to establish all technical aspects, while offering design suggestions and exchanging critical project information.

DIVERSE MANUFACTURING CAPABILITIES

PCI boasts a broad spectrum of manufacturing capabilities. We are supported by a range of medium-to-high volume surface mount technology ("SMT") assembly lines, test and X-ray inspection machines and wire bonding machines complete with advanced demonstrated competencies.

Adhering to the Principles of Lean, we possess ample backend assembly capacity capable of handling a wide range of products across various volumes and complexity.

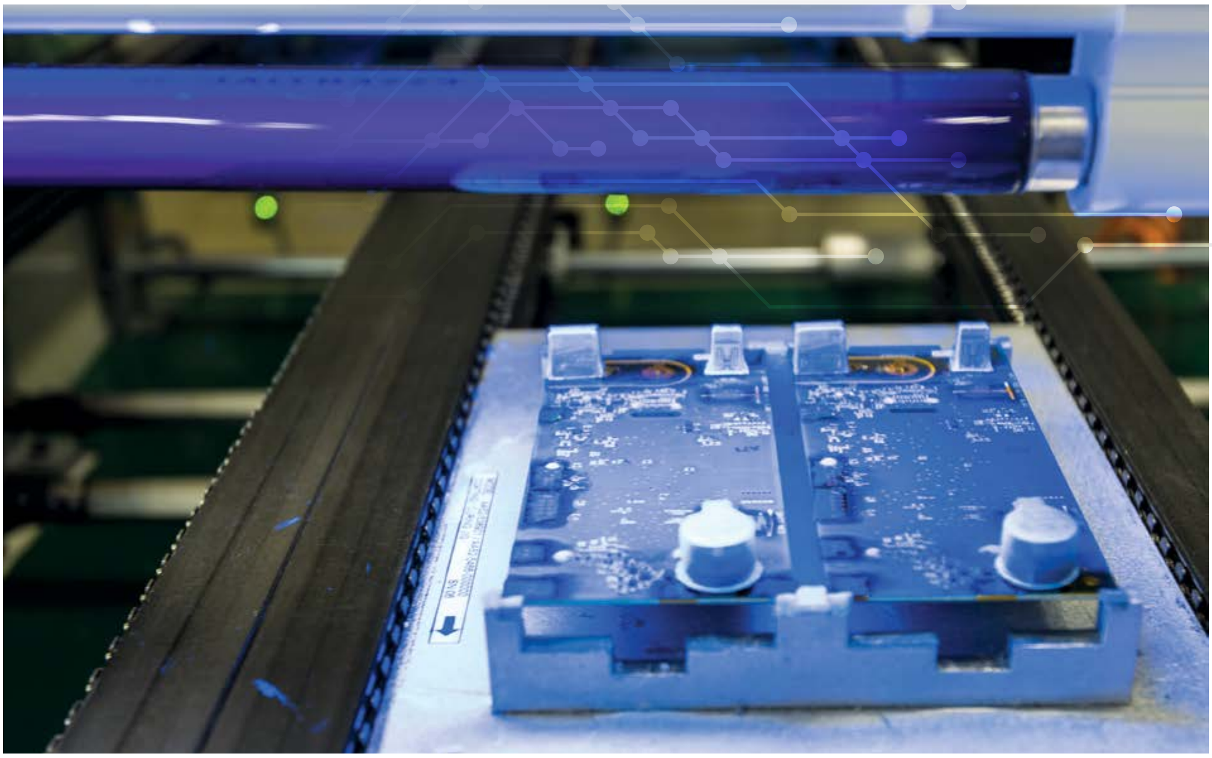
SPEED WITH QUALITY

In ensuring the quality standards of diverse products, PCI provides rapid development of test protocols and automated test stations for various functional test applications such as telecommunications, networking and Radio Frequency ("RF") technologies. We specialise in the design and assembly of jigs and fixtures for product test requirements.

SUPPLY CHAIN MANAGEMENT

WHAT PCI DOES		HOW CUSTOMERS BENEFIT
Our supply chain team manages each customer's total material requirements, from global procurement to purchasing and material management.	▶	Our purchasing leverage and end-to-end managed supply chain services allow our customers peace of mind throughout the entire process.
Our procurement team regularly visits suppliers, evaluating their quality, technology and efficiency, while developing strategic supply partners based on long-term relationships.	▶	Through strong partnerships with suppliers, we support customers in procuring quality electronic components and mechanical parts at highly competitive rates, resulting in cost savings.
Our materials management team oversees our customers' planning and purchasing needs throughout the whole product life cycle.	▶	Customers are assured of timely product launches, on schedule deliveries and well-managed product end-of-life cycle.
We continually keep abreast of global supply trends that may disrupt our supply chain. At the same time, we proactively monitor material life cycle and variation in material lead-times.	▶	Supply problems are tackled proactively with alternative solutions, such as product redesign to replace end-of-life, costly or rare components, thus providing our customers added assurance.

A CERTIFIED COMPANY



At PCI, we strive to continuously improve our quality standards and management system. Today, we have achieved various ISO certifications, in addition to other accolades.

As a responsible company, we recognise the importance of sustainability. We have policies and processes in place to tackle environmental impact, occupational health and safety risks as well as labour and ethical issues.

Certification	In Recognition of
ISO 9001:2015	Quality management system
IATF 16949:2016	Quality management system for the manufacturing of automotive-related products
EN ISO 13485:2012/AC2012	Quality management system for the manufacturing of medical devices
Singapore Quality Class (2012)	Business excellence
ISO 14001:2015	Environmental management system
BS OHSAS 18001:2007	Occupational health and safety management system

SUSTAINING OUR FUNDAMENTALS

With an unwavering focus on long-term sustainability, we will continue to build on our diverse strengths and deepen our foundations so as to build a sustainable business model.

GROUP REVENUE

USD288.7 Million

Increase 45.1%

CHAIRMAN'S STATEMENT

Mr Peh Kwee Chim
Executive Chairman

> Management continued to remain vigilant in cost and operations. This has resulted in strong cash generation from operations in the year.

Dear Shareholders,

I am pleased to present the annual report of PCI Ltd for the financial year ended 30 June 2018.

In FY2018, PCI achieved a strong and creditable set of results. The Group recorded a 45.1% increase in revenue to USD 288.7 million. Net profit attributable to equity holders increased by 71.2% to USD 18.2 million. Net cash generation was USD 18.0 million and total assets and total liabilities were USD 166.5 million and USD 66.0 million respectively as at 30 June 2018. Earnings per share was 9.13 US cents.

The Directors are pleased to recommend a final tax exempt one-tier dividend of 3 SG cents per ordinary share and a special tax exempt one-tier dividend of 2 SG cents per ordinary share for the financial year.

REVIEW OF FY2018

The Group entered FY2018 against a backdrop of global economic uncertainty but saw gradual improvement in business sentiment during the year. Several of our key customers experienced strong market demand and it drove the increase in our business volume.
Our relentless efforts in pursuing operational excellence over the last few years equipped us with stronger capabilities to support our customers' growth.
With the improvement in global economic recovery, the rebound in manufacturing activities has resulted in electronics component supply shortage and extended procurement lead times. The close partnership with our key customers in planning and execution has helped to minimise the material cost and supply impact. New Initiatives were launched to increase the level of automation in manufacturing and warehousing

CHAIRMAN'S STATEMENT

operations. Management continued to remain vigilant in cost and operations. This has resulted in strong cash generation from operations in the year.

On the business front, we saw strong increase in Radio Frequency ("RF") and Internet of Things ("IoT") technology applications across the industry. Our engineering knowhow and capabilities in these areas, which we have invested in over the years, are well recognized by our customers. We continued to create stronger partnerships and achieved deeper collaborations with our customers in their future generation product development. To strengthen our RF and IoT engineering capabilities, we have invested in a sophisticated RF testing chamber in our Singapore HQ. With our continuous enhancement of our advanced engineering capabilities, we are well-positioned to ride on the increasing trend of RF and IoT adoption.

OUTLOOK

The global economic outlook is uncertain due to the escalating trade conflicts between the US and several major economies including China. The import tariffs implemented by the US are starting to affect China based manufacturers. The cost and supply impact to the electronics market could get worse if the US decides to apply tariffs on a wider range of products from China. Despite these challenges, the Group will continue to focus on increasing its core competencies and proactively develop new customers and market segments.

APPRECIATION

Mr Peter Tan, stepped down as Non-Executive, Independent Director on 1 June 2018. Mr Loh Kee Kong will be retiring as Non-Executive Director at the coming Annual General Meeting and will not be seeking re-election. On behalf of the Board, I extend my appreciation to Mr Tan and Mr Loh for their dedication and service to the Board.

I am pleased to welcome Mdm Joanna Young Sau Kwan as Non-Executive, Independent Director and Mr Eldon Wan as Executive Director to our Board. Their extensive experience in accounting, auditing and financial management will benefit the Company greatly.

Last but not least, I would like to express our gratitude to our customers, business partners and shareholders for their support in FY2018. In addition, I would like to commend our Management and staff for their dedication and commitment.

MR PEH KWEE CHIM
Executive Chairman
29 August 2018

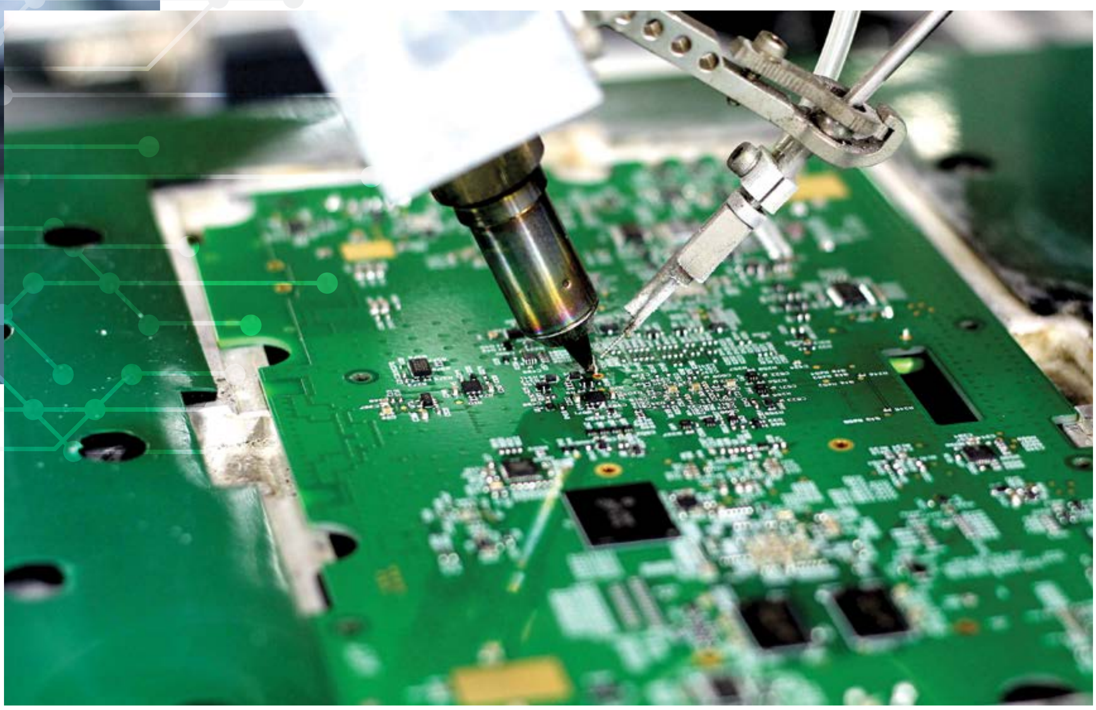
NET PROFIT

USD 18.2 Million

Increase 71.2%

MAINTAINING
STRATEGIC FORESIGHT

Our ability to identify and respond to the changing business and technological landscape and stay ahead of the curve gives us the edge in a highly competitive marketplace.



BOARD OF DIRECTORS

01

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01 Mr Peh Kwee Chim
02 Mr Peh Siong Woon Terence
03 Mr Eldon Wan
04 Mr Ho Soo Ching
05 Mr Lo Pang Foo Steven
06 Mdm Joanna Young Sau Kwan
07 Mr Loh Kee Kong

BOARD OF DIRECTORS

MR PEH KWEE CHIM [01]

Executive Chairman

Mr Peh Kwee Chim is the Executive Chairman of PCI. He was appointed as Director and Chairman in November 1989. He was last re-elected on 19 October 2017. Mr Peh has over 20 years of experience in the electronics manufacturing services industry and has been instrumental in building up the PCI Group. He oversees the strategic planning and business development of the Group. He is also a member of the Nominating Committee.

Mr Peh is also an Executive Director of Chuan Hup Holdings Limited ("Chuan Hup") and sits on its Nominating Committee. He was one of the founders of Chuan Hup in 1970.

Mr Peh graduated from the University of Western Australia in 1969 with a Bachelor of Engineering (Mechanical) degree.

MR ELDON WAN [03]

Executive Director

Mr Eldon Wan is an Executive Director of PCI. He was appointed as a Director on 3 April 2018 and will be due for re-election at the coming Annual General Meeting ("AGM").

Mr Wan was the Senior Vice President, Finance of PCI from October 2014 to June 2017. He was re-designated as Chief Financial Officer from June 2017 to April 2018.

Mr Wan is concurrently the Chief Operating Officer of Chuan Hup.

Mr Wan has over 20 years of experience in the finance and accounting sectors. He has cumulated industry experience in mergers and acquisitions, financial and management reporting, budgeting, taxation, treasury as well as corporate governance and risk management matters. Prior to joining the Group, he was the Group Chief Financial Officer of The Straits Trading Company Limited and Group Finance Manager of the Tecity Group.

Mr Wan graduated from the Nanyang Technological University of Singapore in 1995 with a Bachelor of Accountancy degree and is a Fellow Chartered Accountant of Singapore.

MR PEH SIONG WOON TERENCE [02]

Executive Vice Chairman

Mr Peh Siong Woon Terence is the Executive Vice Chairman of PCI. He assists the Chairman in overseeing the strategic planning and business development of the Group. He was appointed as an Executive Director on 28 December 2011 and Executive Vice Chairman on 13 August 2013. He was last re-elected on 19 October 2017.

Mr Peh has over 20 years of experience in property development investment and project management in Asia Pacific, and management experience in finance in the marine and electronics manufacturing services industries.

Mr Peh is the Chief Executive Officer and an Executive Director of Chuan Hup. As Chief Executive Officer, he is responsible for the day-to-day running of the business and for the overall performance of the Chuan Hup Group. Mr Peh is also a Non-Independent, Non-Executive Director of Pacific Star Development Limited and sits on its Audit, Nominating and Remuneration Committees. Mr Peh is also a Non-Executive Director of Finbar Group Limited, which is listed on the Australian Securities Exchange.

Mr Peh obtained his Bachelor of Commerce in Marketing degree from Curtin University of Technology, Australia in 1996 and his Master of Commerce in Finance degree from the University of New South Wales, Australia in 1997.

MR HO SOO CHING [04]

Lead Independent Director

Mr Ho Soo Ching is the Lead Independent Director. He was appointed as Non-Executive, Independent Director on 3 November 2014 and the Lead Independent Director on 7 September 2017. He was last re-elected on 22 October 2015 and will be due for re-election at the coming AGM. He is also the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

Mr Ho spent over 20 years of his career in the financial services industry in various organisations including merchant banking and private equity investment. He has also spent time in other sectors including telecommunications, civil engineering and transportation. He retired as the chief executive officer of a public listed company in 2011 and is a director of a property development company in China.

Mr Ho obtained his Bachelor of Science in Industrial Chemistry degree from Loughborough University in 1971 and his Master of Science in Operational Research and Management Science degree from Imperial College London in 1974.

BOARD OF DIRECTORS

MR LO PANG FOO STEVEN 05

Non-Executive, Independent Director

Mr Lo Pang Foo Steven is the Non-Executive, Independent Director of PCI. He was appointed as a Non-Executive, Independent Director on 28 December 2011. He was last re-elected on 20 October 2016 and will be due for re-election at the coming AGM. He is the Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee.

Mr Lo is a Director of Drew & Napier LLC as well as the Head of the firm's Mergers and Acquisitions Practice. He has more than 20 years of legal experience. His practice focuses on corporate finance and mergers and acquisitions. He has extensive experience in both private and public merger and acquisition transactions in Singapore and the region. Mr Lo has a wide range of expertise and has also represented issuers, underwriters and selling shareholders in a variety of domestic and international capital markets transactions.

Mr Lo is a Non-Executive, Independent Director and the Chairman of Chuan Hup. He is the Chairman of its Remuneration and Nominating Committees and a member of its Audit Committee.

Mr Lo graduated from the National University of Singapore with a Bachelor of Laws (Honours) degree in 1995 and was admitted to the Singapore Bar in 1996. He subsequently obtained his Master of Laws degree from the University of Cambridge in 1998 and was admitted to the Rolls of Solicitors in England and Wales in 2000 as a non-practising member.

MDM JOANNA YOUNG SAU KWAN 06

Non-Executive, Independent Director

Mdm Joanna Young Sau Kwan is a Non-Executive, Independent Director of PCI. She was appointed as a Director on 3 April 2018 and will be due for re-election at the coming AGM.

Mdm Young brings with her a wealth of experience in accounting, auditing and financial management. Mdm Young is the senior partner of her accounting firm. From 1969 to 1978, she gained extensive experience in the accounting profession during her employment with Evan Wong & Co and Turquand Youngs & Co. In 1978, she joined a garment manufacturing company taking charge of financial, administration and production duties before setting up her own practice in 1980.

Mdm Young is a Non-Executive, Independent Director of Chuan Hup. She is the Chairman of its Audit Committee and a member of its Remuneration and Nominating Committees.

Mdm Young was a Non-Executive, Independent Director of CH Offshore Ltd from February 2005 to March 2015, and the Chairman of its Audit and Nominating Committees and a member of its Remuneration Committee.

Mdm Young was the Honorary Auditor of the Chinese Women's Association from August 1972 to May 2015.

Mdm Young studied Accountancy in Sydney Technical College and obtained her Accountancy Certificate in 1968. She was admitted to membership of the Australian Society of Accountants and the Singapore Society of Accountants in 1969. She is a Life Member of the Institute of Singapore Chartered Accountants, a Fellow Member of CPA Australia and an Accredited Tax Practitioner of the Singapore Institute of Accredited Tax Professionals.

MR LOH KEE KONG 07

Non-Executive Director

Mr Loh Kee Kong is a Non-Executive Director of PCI. He was appointed as an Executive Director in August 1989 and re-designated as a Non-Executive Director on 28 December 2011. He is a member of the Audit and Remuneration Committees. He was last re-elected on 20 October 2016. Mr Loh will be retiring at the coming AGM, and will not be seeking re-election.

Mr Loh has substantial management experience in electronics manufacturing services, property development and marine sectors.

Mr Loh is also a Non-Executive Director of Finbar Group Limited, which is listed on the Australian Securities Exchange.

Mr Loh graduated from the then University of Singapore in 1976 with a Bachelor of Accountancy degree and is a Fellow Chartered Accountant of Singapore.

SENIOR MANAGEMENT

MR TEO ENG LIN

Chief Executive Officer

Mr Teo Eng Lin is the Chief Executive Officer of PCI. He is responsible for the business, operations and the overall performance of the Group.

Mr Teo joined PCI in June 1995 as Sourcing and Marketing Support Manager. He was appointed Business Development Manager in September 2000 and Vice President, Business Development in October 2001, responsible for the business development of the EMS Division. Mr Teo was appointed Assistant Chief Operating Officer in November 2002 and Chief Operating Officer in October 2003. On 1 July 2010, he was promoted to Chief Executive Officer.

Mr Teo graduated from the National University of Singapore in 1991 with a Bachelor of Electrical Engineering degree.

MR THOMAS MULJADI HANDOJO

Senior Vice President, Business Development

Mr Thomas Muljadi Handojo is the Senior Vice President, Business Development of PCI. He is responsible for Business Development and Design Engineering.

Mr Handojo joined PCI as a Product Engineer in August 1994. He was appointed Program Manager in 1997, Business Development Manager in 2000 and Vice President, Business Development in 2009. In July 2014, he was promoted to Senior Vice President, Business Development.

Mr Handojo obtained his degree in Electronics Engineering from Trisakti University of Jakarta in 1993 and his MBA degree in Management of Technology from the Nanyang Technological University of Singapore in 1998.

MS LIEW MEI HONG

Chief Financial Officer

Ms Liew Mei Hong is the Chief Financial Officer of PCI. She is responsible for all accounting, financial, taxation, risk management and human resource matters of PCI and its group of companies. She joined PCI in 2009 as Section Head, Finance and rose through the ranks. She was appointed as Vice President, Finance in July 2015 and promoted to Chief Financial Officer in April 2018.

Ms Liew has over 10 years of experience in the finance, accounting and tax functions. She has cumulated industry experience in financial and management reporting, budgeting, taxation, treasury as well as corporate governance and risk management matters. Prior to joining the Group, she worked in the Finance department of a European-based multinational company.

Ms Liew graduated from the University of Hertfordshire, UK in 2005 with a Bachelor of Arts (Hons) degree in Accounting. She is a Chartered Accountant of Singapore and an affiliate member of the Association of Chartered Certified Accountants.

MR TAN QUEE LIM

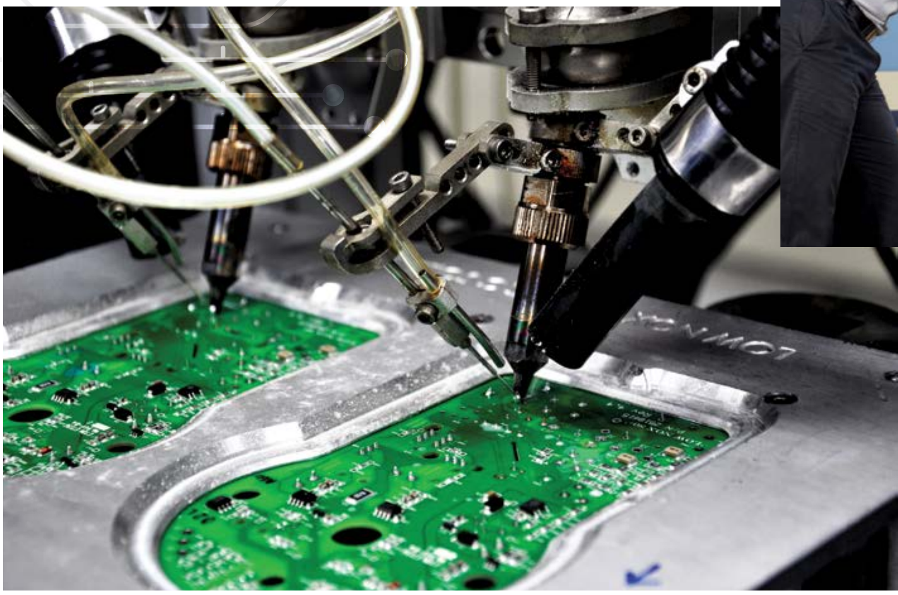
Senior Vice President, Manufacturing

Mr Tan Quee Lim is the Senior Vice President, Manufacturing of PCI. He is responsible for the Group's manufacturing operations.

Mr Tan joined PCI in January 1992 as Senior Process Engineer and was appointed Engineering Manager in June 1994. He was promoted to Manufacturing Engineering Manager in May 1999. Mr Tan was appointed Operations Manager in July 2001. He assumed the appointment of General Manager, Batam Operations in March 2008 and was promoted to Vice President, Manufacturing in September 2014. In July 2018, he was promoted to Senior Vice President, Manufacturing.

Prior to joining PCI, Mr Tan worked in the quality department of a US-based multinational company.

Mr Tan obtained his Diploma in Electronics and Communication Engineering from the Singapore Polytechnic in 1983.



DELIVERING
LASTING VALUE

Notwithstanding business cycles, we remain committed to build on our strengths and implement measures to drive innovation, efficiency and productivity so as to deliver value that will last for the long term.

SHAREHOLDERS' EQUITY

USD 100.5 Million

Increase 15.1%

GROUP FINANCIAL HIGHLIGHTS

	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000	2014 US$'000
INCOME STATEMENT					
Revenue	288,673	198,917	180,231	189,374	178,803
Profit before taxation	22,883	12,948	7,312	21,874	6,525
Profit for the year	18,181	10,618	5,737	20,184	5,711
Profit attributable to equity holders of the Company	18,181	10,626	5,736	20,185	5,704
BALANCE SHEET					
Current Assets	137,996	120,035	99,685	106,522	117,130
Property, plant and equipment	10,603	8,383	9,238	4,277	3,418
Prepaid lease payments	17,734	18,580	19,304	19,902	5,424
Other non-current assets	185	357	316	264	284
	166,518	147,355	128,543	130,965	126,256
Current Liabilities	65,007	59,027	42,639	44,053	41,968
Other non-current liabilities	991	963	686	324	335
Equity attributable to equity holders of the Company	100,520	87,365	85,172	86,542	83,873
Non-controlling interests	–	–	46	46	80
	166,518	147,355	128,543	130,965	126,256
PER ORDINARY SHARE					
Net tangible assets per share (US cents)	50.49	43.88	42.78	43.47	42.13
Earnings per share (US cents)	9.13	5.34	2.88	10.14	2.86
Final tax exempt (one-tier) dividend (SG cents)	3.0	3.0	3.0	3.0	3.0
Special tax exempt (one-tier) dividend (SG cents)	2.0	0.5	–	2.0	7.0
Special interim tax exempt (one-tier) dividend (SG cents)	–	2.5	–	–	–

FINANCIAL CALENDAR

Financial Year End
30 June 2018

Announcement of First Quarter Financial Results
13 November 2017

Announcement of Half Year Financial Results
13 February 2018

Announcement of Third Quarter Financial Results
10 May 2018

Announcement of Full Year Financial Results
28 August 2018

Dispatch of Annual Report to Shareholders
1 October 2018

Annual General Meeting
18 October 2018

Book Closure to Register Members for Final and Special Dividends
30 October 2018

Proposed Payment of Final and Special Dividends
7 November 2018

CORPORATE DATA

BOARD OF DIRECTORS

Mr Peh Kwee Chim
(Executive Chairman)

Mr Peh Siong Woon Terence
(Executive Vice Chairman)

Mr Eldon Wan
(Executive Director)

Mr Ho Soo Ching
(Lead Independent Director)

Mr Lo Pang Foo Steven
(Non-Executive, Independent Director)

Mdm Joanna Young Sau Kwan
(Non-Executive, Independent Director)

Mr Loh Kee Kong
(Non-Executive Director)

AUDIT COMMITTEE

Mr Ho Soo Ching
(Chairman)

Mr Loh Kee Kong

Mr Lo Pang Foo Steven

REMUNERATION COMMITTEE

Mr Lo Pang Foo Steven
(Chairman)

Mr Loh Kee Kong

Mr Ho Soo Ching

NOMINATING COMMITTEE

Mr Lo Pang Foo Steven
(Chairman)

Mr Peh Kwee Chim

Mr Ho Soo Ching

COMPANY SECRETARY

Ms Valerie Tan May Wei

REGISTERED OFFICE

35 Pioneer Road North
Singapore 628475
Telephone: (65) 6265 8181
Facsimile: (65) 6262 6682
Website: www.pciltd.com.sg
Email: info@pciltd.com.sg

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898

AUDITOR

Ernst & Young LLP
One Raffles Quay,
North Tower, Level 18
Singapore 048583

PARTNER-IN-CHARGE

Mr Terry Wee Hiang Bing
Appointed with effect from financial year ended
30 June 2017

CORPORATE GOVERNANCE REPORT

PCI is committed to maintaining high standards of corporate governance to ensure greater transparency and maximise long-term shareholder value.

This report describes PCI's key corporate governance practices for the financial year ended 30 June 2018 with reference to the principles set out in the Singapore Code of Corporate Governance 2012 (the "Code"). Unless otherwise stated in the Report below, the Company has complied in all material aspects with the principles and guidelines of the Code.

BOARD MATTERS

The Board's Conduct of Affairs

(Principle 1)

The Board oversees the business affairs of the Group. It provides leadership and guidance to Management, sets strategic objectives and ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews Management performance. The Board establishes a framework of prudent and effective controls which enables risks to be assessed and managed. The Board also sets the Company's values and standards, ensures that obligations to its shareholders and other key stakeholders are understood and met and considers sustainability issues, such as environmental and social factors, as part of its strategic formulation.

The Board is responsible for the Group's overall performance objectives, key operational initiatives, financial plans and annual budgets, major investments, divestments and major funding proposals, financial performance reviews, risk management and corporate governance practices. Each Director exercises his independent judgement to act in good faith and the best interest of the Company to enhance the long-term value of the Group to its shareholders.

The Board is supported by the Board Committees established to assist the Board in discharging its responsibilities of overseeing the Group's affairs and enhancing corporate governance. These Committees are the Audit Committee, the Remuneration Committee and the Nominating Committee.

The Board conducts regular scheduled meetings on a quarterly basis. Where necessary, additional Board meetings are held to deliberate on any ad hoc significant matters. Attendance by telephone and video conference at Board meetings is allowed under PCI's Constitution. An aggregate of 4 Board meetings was held for the financial year ended 30 June 2018 ("FY2018"). The Directors' attendance at Board meetings and meetings of the various Board Committees during FY2018 are as follows:

Board Meetings

Directors	No. of Meetings Held	No. of Meetings Attended
Mr Peh Kwee Chim	4	4
Mr Loh Kee Kong	4	4
Mr Peh Siong Woon Terence	4	4
Mr Lo Pang Foo Steven	4	4
Mr Ho Soo Ching	4	4
Mdm Joanna Young Sau Kwan(1)	1	1
Mr Eldon Wan(2)	1	1
Mr Peter Tan(3)	4	4

CORPORATE GOVERNANCE REPORT

Board Committee Meetings

Directors	Audit Committee No. of Meetings Held	Audit Committee No. of Meetings Attended	Remuneration Committee No. of Meetings Held	Remuneration Committee No. of Meetings Attended	Nominating Committee No. of Meetings Held	Nominating Committee No. of Meetings Attended
Mr Peh Kwee Chim	–	–	–	–	1	1
Mr Lo Pang Foo Steven	5	5	1	1	1	1
Mr Loh Kee Kong	5	5	1	1	–	–
Mr Ho Soo Ching	5	5	1	1	1	1
Mr Peter Tan(3)	5	5	1	1	1	1

Notes:

(1) Mdm Joanna Young Sau Kwan was appointed as a Non-Executive, Independent Director on 3 April 2018.

(2) Mr Eldon Wan was appointed as an Executive Director on 3 April 2018.

(3) Mr Peter Tan resigned as Non-Executive, Independent Director and a member of the Audit, Remuneration and Nominating Committees on 1 June 2018.

The Company has established authorisation and approval limits for borrowings, investments, acquisitions, disposals, capital and operating expenditures and expenses. The Board approves significant investments and transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to Management to facilitate operational efficiency. Matters that are specifically reserved for the Board's decision include, in particular, interested person transactions, the Group's annual budget, material acquisitions and disposals of assets, corporate restructuring, share issuances and dividend payments.

Upon appointment, each Director receives a formal letter setting out the Directors' duties and responsibilities. All newly-appointed Directors undergo an orientation programme, which includes site visits and Management presentations on the Group's businesses, strategic plans and objectives. Training is provided for first-time Directors in areas such as accounting, legal and industry-specific knowledge as appropriate. As part of training for the Board, Directors are briefed from time to time on changes to laws, regulations, guidelines and accounting standards, as well as relevant trends and changing commercial risks during Board meetings or at specially convened sessions. Directors are also encouraged to attend, at the Company's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. The Company Secretary will bring to Directors' attention information on seminars that may be of relevance or use to them. Articles and reports relevant to the Group's business are also circulated to the Directors for information.

During FY2018, the development or training programmes for the Directors included the following:

- Briefings on developments in accounting and governance standards presented by the external auditor at Audit Committee meetings
- Visit to the Company's manufacturing plant in Kunshan, China
- Public conferences and briefings on topics such as directors' duties and responsibilities, corporate governance and regulatory compliance and financial reporting updates

Board Composition and Guidance

(Principle 2)

The Board currently comprises 7 Directors, 3 of whom are Non-Executive, Independent Directors, 1 of whom is a Non-Executive Director and 3 of whom are Executive Directors. The Non-Executive, Independent Directors are Mr Lo Pang Foo Steven, Mr Ho Soo Ching and Mdm Joanna Young Sau Kwan (who was appointed to the Board on 3 April 2018). The Non-Executive Director is Mr Loh Kee Kong. The Executive Directors are Mr Peh Kwee Chim, Mr Peh Siong Woon Terence and Mr Eldon Wan (who was appointed to the Board on 3 April 2018). Independent Directors currently make up at least one-third of the Board.

Mr Loh Kee Kong will be retiring at the forthcoming Annual General Meeting and will not be seeking re-election. Following his retirement, Independent Directors will make up half of the Board.

CORPORATE GOVERNANCE REPORT

The Nominating Committee determines, on an annual basis, whether or not a Director is independent bearing in mind the Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a Director not to be independent.

In this connection, the Committee noted that Mr Lo Pang Foo Steven is a Non-Executive, Independent Director and Chairman of Chuan Hup Holdings Limited ("Chuan Hup"), the holding company of the Company, and that Mdm Joanna Young Sau Kwan is a Non-Executive, Independent Director of Chuan Hup. During FY2018, Chuan Hup provided consultancy services to the Company. The value of the transaction was not significant compared to the revenues of Chuan Hup and the Company. Mr Lo and Mdm Young were not involved in the decision making of the transaction between Chuan Hup and the Company. The Committee also took into account Mr Lo's and Mdm Young's performance on the Board and Board Committees, where applicable, and agreed that Mr Lo and Mdm Young have at all times exercised independent judgement in the best interests of the Company in the discharge of their Directors' duties and should therefore be deemed Independent Directors.

The Nominating Committee considers Mr Ho Soo Ching to be independent under the guidelines provided by the Code.

The Board concurred with the reasons set forth by the Nominating Committee and was of the view that Mr Lo, Mdm Young and Mr Ho should be deemed independent.

Mr Lo, Mdm Young and Mr Ho had each abstained from the discussions and taking a decision in respect of his or her own independence.

No independent Director has served on the Board beyond nine years from the date of his or her first appointment.

The Board is of the view that taking into account the nature and scope of the Company's operations, the present Board size is appropriate and facilitates effective decision making.

The Board is satisfied that the Board and its Board Committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company as well as core competencies such as accounting or finance, law, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board and Board Committees to be effective.

For FY2018, the Non-Executive Directors have constructively challenged and helped to develop proposals on strategy and reviewed the performance of Management. They have unrestricted access to Management and have sufficient time and resources to discharge their oversight function effectively.

Non-Executive Directors meet without the presence of Management periodically.

Chairman and Chief Executive Officer

(Principle 3)

Different individuals assume the Chairman and the Chief Executive Officer functions in PCI. There is a clear separation of the roles and responsibilities between the Chairman and the Chief Executive Officer. The Chairman leads the Board and is responsible for ensuring the effectiveness of the Board. He approves the agenda for the Board meetings and ensures sufficient time is allocated for discussion of all agenda items. He promotes an open environment for debate and ensures that the Non-Executive Directors are able to speak freely and contribute effectively. He ensures effective communication with shareholders, encourages constructive relations between the Board and Management and between the Directors and promotes high standards of corporate governance. The Chief Executive Officer leads the Management team and implements the Board's decisions. He is responsible for the day-to-day operations and business and the overall performance of the Group. The Chairman and the Chief Executive Officer are not related.

Lead Independent Director

(Principle 3)

In line with the recommendations set out in the Code, the Company has appointed Mr Ho Soo Ching as the Lead Independent Director. He is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the Chief Executive Officer or the Chief Financial Officer has failed to resolve or is inappropriate.

Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the other Directors, and the Lead Independent Director provides feedback to the Chairman after such meetings.

CORPORATE GOVERNANCE REPORT

Board Membership
(Principle 4)

At the date of this report, the Nominating Committee comprises Mr Lo Pang Foo Steven (Committee Chairman), Mr Peh Kwee Chim and Mr Ho Soo Ching, the Lead Independent Director. The majority of the Nominating Committee members, including the Chairman, are Non-Executive, Independent Directors.

The Nominating Committee's functions include reviewing Board succession plans for Directors, the Chairman and the Chief Executive Officer, evaluating the performance of the Board, Board Committees and Directors, the review of training and professional development programs for the Board, considering and making recommendations to the Board concerning the selection, appointment, re-appointment and determining the independence of the Directors and progressive renewal of the Board. The role and functions of the Nominating Committee are set out in its Terms of Reference.

The Nominating Committee oversees the process for the appointment of new Directors. This process includes an evaluation of the candidate's capabilities by taking into consideration diversity of skills, experience, background, age, gender and other relevant factors and how the candidate fits into the overall desired competency matrix of the Board. The Nominating Committee may recourse to both internal as well as external sources to draw up a list of potential candidates. Short-listed candidates would be required to furnish their curriculum vitae stating in detail their qualifications, working experience, employment history, in addition to completing certain prescribed forms to enable the Nominating Committee to assess the candidate's independence status.

In evaluating a Director's competencies, commitment, contribution and performance for the purpose of re-appointment, the Nominating Committee takes into consideration a variety of factors such as attendance, preparedness, participation and candour.

At each Annual General Meeting ("AGM") of the Company, not less than one third of the Directors for the time being (being those who have been longest in office since their last re-election) are required to retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM. Also, all newly appointed Directors during the year will hold office only until the next AGM and will be eligible for re-election.

Key information on the Directors is set out on pages 13 and 14 of this Annual Report.

The Nominating Committee has reviewed each Director's outside directorships, their principal commitments and attendance and contribution to the Board. The Nominating Committee is satisfied that all Directors have carried out their duties adequately, contributing to the effectiveness of the Board and Board Committees. The Directors had demonstrated their commitment to the Company and availability to attend to the affairs of the Company, both at formal meetings and informally. The Nominating Committee therefore does not recommend setting a limit on the number of listed company board representations that a Director may hold.

The Board does not encourage the appointment of Alternate Directors. No Alternate Director is currently being appointed to the Board.

Board Performance
(Principle 5)

The Board has implemented a process in consultation with the Nominating Committee, for assessing the effectiveness of the Board, its Board Committees and Directors' contribution to the effectiveness of the Board on an annual basis. To provide feedback to aid in this assessment, each Director is required to complete a questionnaire. The evaluation considers factors such as the size and composition of the Board, Board processes and accountability, Board and Board Committees' development and effectiveness, information management, decision-making processes, risk and crisis management, communication with Senior Management and shareholders. The evaluation and feedback are then consolidated and presented to the Board for discussion on areas of strengths and weaknesses to improve the effectiveness of the Board and its Committees. The Chairman would act on the results of the performance evaluation, and in consultation with the Nominating Committee, propose where appropriate, new members to be appointed to the Board or seek the resignation of Directors in order to enhance the effectiveness of the Board and its Committees. No external facilitator has been used for the purpose of Board assessment in FY2018. The Nominating Committee periodically reviews and improves the Board Evaluation Questionnaire as necessary. The Nominating Committee has decided for the time being that in view of the background, experience and expertise of each Director, it would not be necessary to assess the individual performance of each Director.

CORPORATE GOVERNANCE REPORT

For the long-term success and value creation of the Company, the Board believes that its performance is reflected in, and evidenced by proper guidance, diligent oversight and able leadership of the Company, and the support that it lends to Management in steering the Company to achieve strategic goals. Having regard to its composition and mix, the Board has endeavoured through each Director's contributions and diversity of experience, to ensure that balanced and well-considered decisions are made in the best interests of the Company.

Access to Information

(Principle 6)

The Directors are provided with Board papers and related materials, background or explanatory information in advance of each Board Meeting to enable them to be properly informed of matters to be discussed and/or approved, as well as ongoing reports relating to operational and financial performance of the Group. The Board has separate and independent access to Senior Management and the Company Secretary at all times. The Company Secretary also assists the Chairman by ensuring good information flows within the Board and its Committees, and between Senior Management and the Non-Executive Directors. The Company Secretary attends and prepares minutes for all Board and Board Committee Meetings, advises the Board on governance matters and ensures that Board procedures are followed and that applicable rules and regulations are complied with. Under the Constitution of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

Directors, either individually or as a group, in the furtherance of their duties can take independent professional advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

(Principles 7, 8 and 9)

At the date of this Report, the Remuneration Committee comprises Mr Lo Pang Foo Steven (Committee Chairman), Mr Loh Kee Kong and Mr Ho Soo Ching, all of whom are Non-Executive Directors and the majority of whom, including the Chairman, are Independent Directors.

The duties of the Remuneration Committee include the following:

(a) Reviewing and recommending to the Board for endorsement a general framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to director's fees, salaries, allowances, bonuses and benefits in kind;

(b) Reviewing and recommending to the Board for endorsement the specific remuneration packages for each Director, as well as for the key management personnel; and

(c) Reviewing the level and mix of remuneration and benefits, policies and practices of the Company.

The role and functions of the Remuneration Committee are set out in its Terms of Reference, which set out its authority and duties.

If required, the Remuneration Committee will seek expert advice inside and/or outside the Company on remuneration of all Directors and key management personnel.

The Remuneration Committee reviews the terms of the contracts of the Executive Directors and key management personnel to ensure that the terms are fair and reasonable and termination clauses are not overly generous.

The objective of the Group's remuneration policy is to ensure that the level and structure of the remuneration are aligned with the long-term interest and risk policies of the Company, and that the remuneration is able to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company and Group as a whole.

CORPORATE GOVERNANCE REPORT

The remuneration packages of Executive Directors and key management personnel of the Group comprise two components. One component is fixed in the form of a base salary. The other component is variable consisting of performance bonus. The variable component is determined based on the employee's performance and contributions, and the Group's financial performance in the relevant financial year. The Remuneration Committee strongly supports and endorses the flexible wage system because it gives the Company more flexibility to ride through economic downturns. The Remuneration Committee has adopted set profitability levels to be achieved before performance bonuses are payable. The Remuneration Committee believes that profitability levels best reflect the financial health and performance of the Group's business and is also a key performance measure used by other companies in similar industry.

Presently, the Company does not have any share option or other share incentive schemes for its employees. The Remuneration Committee will review and recommend the implementation of a scheme if it deems necessary.

For FY2018, there was no termination, retirement and post-employment benefits granted to Directors, the Chief Executive Officer and the top four key management personnel (who are not Directors or the Chief Executive Officer).

Non-Executive Directors are paid a fixed fee, taking into account the effort, time spent and responsibilities of each Non-Executive Director. Non-Executive Directors are not overly compensated to the extent that their independence may be compromised. The fees of Non-Executive Directors are subject to shareholders' approval at the AGM. The Company does not have a retirement remuneration plan for Non-Executive Directors. Executive Directors do not receive any Directors' fees. No individual Director fixes his own remuneration.

Having reviewed and considered the variable components of remuneration of the Executive Directors and key management personnel, which are moderate, the Remuneration Committee is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company.

A percentage breakdown of the fixed and variable components of the Directors' and the Chief Executive Officer's remuneration is disclosed in bands of USD180,000. In FY2018, the top four key management personnel in the Group (who are not Directors or the Chief Executive Officer of the Company) are Mr Thomas Muljadi Handojo, Mr Chan Jin Hou Dominic, Ms Liew Mei Hong and Mr Tan Quee Lim. In disclosing the remuneration of the top four key management personnel in bands of USD180,000, the Company provides a macro perspective without compromising the Group's business interests and minimises the highly competitive pressures which would arise from more detailed disclosures. The Board is also of the view that it is in the best interests of the Company not to fully disclose the remuneration of each Director, the Chief Executive Officer and the aggregate total remuneration paid to the top four key management personnel (who are not Directors or the Chief Executive Officer), given the sensitive nature of employee remuneration matters and possible pressures from both within and outside the Group upon disclosing such information.

Excluding Mr Peh Kwee Chim and Mr Peh Siong Woon Terence who are immediate family members, there was no employees of the Company and its subsidiaries who was an immediate family member of a Director or the Chief Executive Officer and whose remuneration exceeded USD36,000 during FY2018.

CORPORATE GOVERNANCE REPORT

Remuneration paid or accrued to Directors and the Chief Executive Officer for the financial year ended 30 June 2018

Directors/Chief Executive Officer of Company	Fixed Component[1] (%)	Variable Component[2] (%)	Directors' Fees (%)	Total Compensation (%)
USD900,000 to USD1,079,999				
Mr Peh Kwee Chim	39	61	–	100
USD720,000 to USD899,999				
Mr Peh Siong Woon Terence	27	73	–	100
USD540,000 to USD719,999				
Mr Eldon Wan[3]	30	70	–	100
Mr Teo Eng Lin (Chief Executive Officer)	43	57	–	100
Below USD180,000				
Mr Loh Kee Kong	–	–	100	100
Mr Lo Pang Foo Steven	–	–	100	100
Mr Ho Soo Ching	–	–	100	100
Mdm Joanna Young Sau Kwan[4]	–	–	100	100
Mr Peter Tan[5]	–	–	100	100

Notes:

(1) Fixed component includes base salary, allowances, benefits in kind, such as the use of Company car, etc, and employer CPF.

(2) Variable component refers to variable bonus and employer CPF.

(3) Mr Eldon Wan was appointed as Director on 3 April 2018.

(4) Mdm Joanna Young Sau Kwan was appointed as Director on 3 April 2018.

(5) Mr Peter Tan resigned as Director on 1 June 2018.

Remuneration paid or accrued to top four Key Management Personnel (who are not Directors or the Chief Executive Officer) for the financial year ended 30 June 2018

Remuneration Bands/Key Management Personnel	Fixed Component[1] (%)	Variable Component[2] (%)	Total Compensation (%)
Between USD360,000 to USD539,999			
1	39	61	100
Between USD180,000 to USD359,999			
1	53	47	100
1	100	–	100
1	47	53	100

Notes:

(1) Fixed component includes base salary, allowances, benefits in kind, such as the use of Company car, etc and employer CPF.

(2) Variable component refers to variable bonus and employer CPF.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Accountability
(Principle 10)

The Board through its timely release of the Company's quarterly and full year results, aims to provide shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST.

PCI recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis in order that it may effectively discharge its duties. Management provides the Board with management accounts on a regular basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls
(Principle 11)

The Board has overall responsibility for the governance of the Group's risk management and internal controls. The Board and Management of the Company are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

The Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems.

The Company has implemented a Risk Management Framework for the identification, assessment, monitoring and reporting of financial, operational, information technology and compliance risks. A system of risk management and internal controls are in place to address, manage or mitigate these risks.

On an annual basis, the Group's internal auditor prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the Audit Committee and audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, compliance and information technology risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditor in the course of the statutory audit.

All audit findings and recommendations made by the internal and external auditors are reported to the Audit Committee and significant findings are discussed at the Audit Committee meetings. Management follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the Audit Committee.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that:

(a) The financial records of the Group have been properly maintained and the financial statements for the year ended 30 June 2018 give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including financial, operational, compliance and information technology risks.

Based on the risk management and internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and the Board Committees as well as the assurance received from the Chief Executive Officer and the Chief Financial Officer, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's risk management and internal controls systems were adequate and effective as at 30 June 2018 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

CORPORATE GOVERNANCE REPORT

The Board notes that the system of risk management and internal controls established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system of risk management and internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit Committee
(Principle 12)

At the date of this Report, the Audit Committee comprises Mr Ho Soo Ching (Committee Chairman), Mr Loh Kee Kong and Mr Lo Pang Foo Steven, all of whom are Non-Executive, and the majority of whom, including the Chairman, are Independent Directors. Mr Ho Soo Ching and Mr Loh Kee Kong have recent and relevant accounting or related financial management expertise and in-depth experience. Mr Lo Pang Foo Steven has in-depth knowledge of the responsibilities of the Audit Committee and practical experience and knowledge of the issues and considerations affecting the Committee.

The role of the Audit Committee is documented in its Terms of Reference, which define the purpose, authority and responsibilities of the Audit Committee.

The Audit Committee has full access to and co-operation by Management. The Audit Committee also has full discretion to invite any Director or executive officer to attend its meetings, and has been given adequate resources to discharge its functions. The Audit Committee meets with the internal and external auditors without the presence of Management annually.

The Audit Committee held five meetings during FY2018. During the meetings, the Audit Committee performed its functions and responsibilities, which include the following:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management system;

(c) reviewing the effectiveness of the Company's internal audit function;

(d) reviewing the scope and results of the external audit, independence and objectivity of the external auditor;

(e) making recommendations to the Board on the proposals to the shareholders relating to the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

(f) reviewing and approving processes to regulate interested person transactions and to ensure compliance with the applicable regulations; and

(g) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with a view to ensuring that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

The Audit Committee has discussed the key audit matters for FY2018 with Management and the external auditor. The Audit Committee concurs with the basis and conclusions included in the auditor's report with respect to the key audit matters.

For more information on the key audit matters, please refer to pages 37 and 38 of this Annual Report.

The Audit Committee considered the volume of non-audit services provided by the external auditor to the Group, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor, confirmed their re-nomination. The aggregate amount of fees paid to the external auditor in FY2018 and a breakdown of the fees paid in respect of audit and non-audit services are stated in the notes to the financial statements.

CORPORATE GOVERNANCE REPORT

Some of the Company's subsidiaries are audited by different audit firms. The names of these audit firms are listed on page 74 of the Annual Report. The Board and the Audit Committee are satisfied that the appointment of these auditors would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Board confirms that Rule 712 and Rule 715 read with Rule 716 of the SGX-ST Listing Manual have been complied with.

The Audit Committee has nominated Ernst & Young LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the Audit Committee, and highlighted by the external auditor in their meetings with the Audit Committee.

None of the Audit Committee members was a former partner of the Company's existing external auditor, Ernst and Young LLP, within the previous 12 months or has any financial interest in the firm.

Interested Person Transactions

The Company has procedures in place to comply with the SGX-ST Listing Manual requirements relating to interested person transactions of the Company.

The aggregate value of interested person transactions ("IPTs") entered into during the financial year under review is as follows:

Name of interested person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than SGD100,000/USD73,319 and transactions conducted under shareholders' mandate pursuant to Rule 920) SGD'000/USD'000	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than SGD100,000/USD73,319) SGD'000/USD'000
Chuan Hup Holdings Limited[(1)]	300/224	Nil
ET Designers Pte Ltd[(2)]	691/509	Nil

Notes:

(1) Mr Peh Kwee Chim is the Executive Chairman and a substantial shareholder of the Company. He has a deemed interest of 51.52% and a direct interest of 2.09% in the issued shares in Chuan Hup Holdings Limited. Mr Peh Siong Woon Terence is the Executive Vice Chairman and a substantial shareholder of the Company. He has a deemed interest of 51.52% in the issued shares in Chuan Hup Holdings Limited.

(2) ET Designers Pte Ltd is controlled by Mr Peh Lawrence Teck-Woon, who is the son of Mr Peh Kwee Chim and the brother of Mr Peh Siong Woon Terence.

Whistleblowing Policy

The Company has implemented a whistleblowing policy, which serves to encourage and provide a channel to staff of the Company and any other persons to report in good faith and in confidence, without fear of reprisals, concerns about possible wrongdoing or breach of applicable laws, regulations, policies or other matters. The objectives for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action. Reports can be made by mail to PCI Limited at 35 Pioneer Road North, Singapore 628475 and addressed to the Chairman of the Audit Committee.

CORPORATE GOVERNANCE REPORT

Internal Audit
(Principle 13)

The internal audit function of the Company is outsourced to RSM Risk Advisory Pte Ltd (the "Internal Auditor"), which is independent of Management. The appointment, removal, evaluation and compensation of the Internal Auditor is approved by the Audit Committee. The Audit Committee's oversight and supervision of the Group's internal controls are complemented by the work of the Internal Auditor, whose role is to assist the Audit Committee to ensure that the Group maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the Audit Committee, and conducting regular in-depth audits of high risk areas.

The Internal Auditor's primary line of reporting is to the Chairman of the Audit Committee. The Audit Committee meets the Internal Auditor at least once annually without the presence of Management. The Internal Auditor has unfettered access to the Audit Committee, the Board and Management as well as the Group's documents, records, properties and personnel.

The Internal Auditor carries out its function according to the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

During the financial year, the Internal Auditor conducted its audit review based on the approved internal audit plan. Upon completion of the audit, the Internal Auditor reported its findings and recommendations to Management who responded on the actions to be taken. The Internal Auditor submitted its internal audit report and actions taken by Management on the findings to the Audit Committee.

For FY2018, the Audit Committee was satisfied that the internal audit function was adequately resourced and had appropriate standing within the Group and co-operation of the Management to carry out its duties effectively.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights, Communication with Shareholders and Conduct of Shareholder Meetings
(Principles 14, 15 and 16)

The Company is committed to treating all shareholders fairly and equitably. The Company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements. The Company is committed to providing shareholders with timely, adequate and relevant information pertaining to changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares to enable shareholders to make informed decisions in respect of their investments in the Company. It does not practise selective disclosure of price-sensitive information.

The Company strongly encourages and supports shareholder participation at general meetings. Shareholders are informed of general meetings through published notices in the annual reports or circulars sent to all shareholders. The notice of general meeting, which sets out all items of business to be transacted at the general meeting, is also released via SGXNET and published in The Business Times. Shareholders are informed of the rules, including voting procedures, that govern general meetings of shareholders.

A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or more proxies (who can either be named individuals nominated by the shareholder to attend the meeting or the Chairman of the meeting as the shareholder may select). The Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold PCI shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the general meetings.

In line with the continuous disclosure obligations of the Group, the Board's policy is that shareholders be informed promptly of all major developments that impact the Company and its subsidiaries. The Company communicates information to shareholders and the investing community through timely release of announcements to the SGX-ST via SGXNET. Such announcements include the quarterly and full year results, material transactions, and other developments relating to the Group requiring disclosure under the corporate disclosure policy of the SGX-ST. The Company also maintains a website at www.pciltd.com.sg where the public can access information on the Group including the announcements made to SGX-ST. Enquiries from investors, shareholders and analysts are handled by specifically designated members of Senior Management in lieu of a dedicated investor relations team. Should an inadvertent disclosure be made to a select group, the Company will make the same disclosure publicly as promptly as possible.

CORPORATE GOVERNANCE REPORT

The Company's policy on the payment of dividends (excluding special dividends) is to endeavour – barring unforeseen circumstances – to pay up to fifty percent (50%) of net profit after tax. In considering the level of dividend payments, the Board takes into account various factors including the level of available cash, the return on equity and retained earnings and projected level of capital expenditure and other investment plans.

The Company's main forum for dialogue and interaction with shareholders takes place at its Annual General Meeting, where the members of the Board, the Chairman of each Board Committee, Senior Management and the external auditor are in attendance. At the Annual General Meeting, shareholders are given the opportunity to air their views and ask questions regarding the Company. The external auditor is present to address shareholders' queries on the conduct of audit and the preparation and content of the auditor's report.

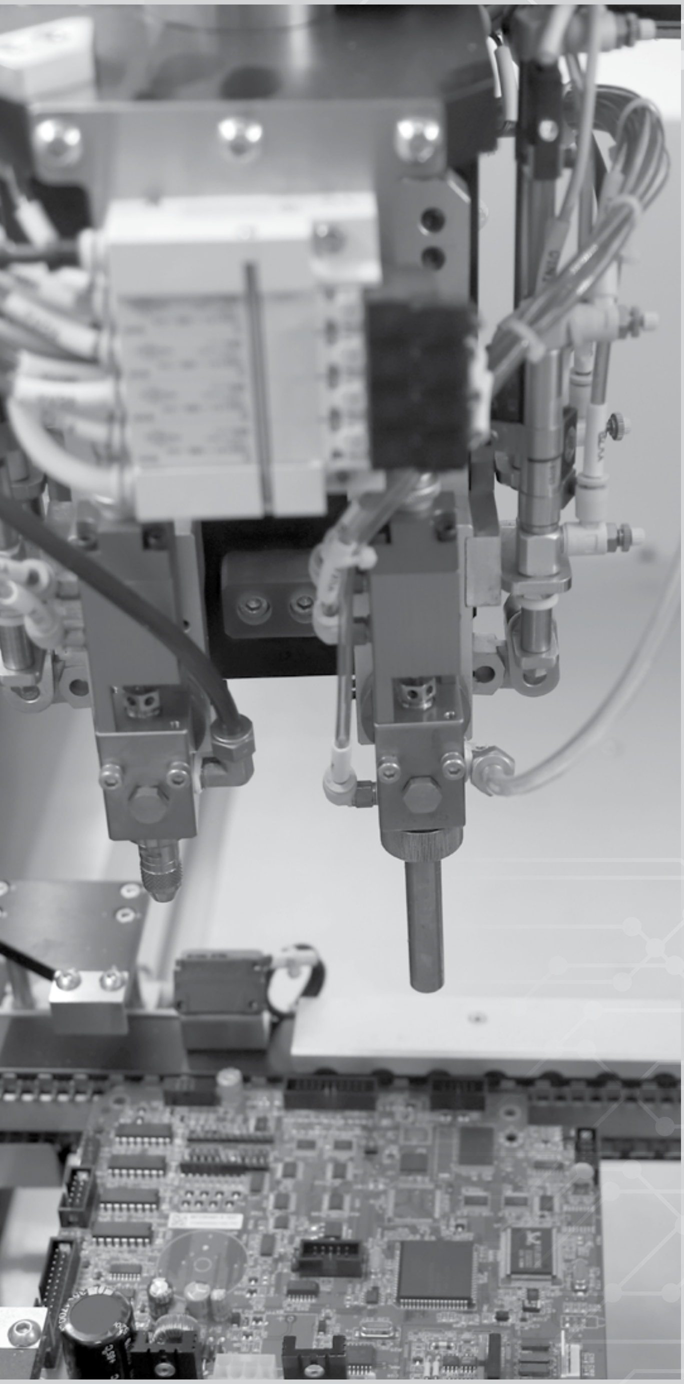
The Board ensures that there are separate resolutions at general meetings on each substantially separate issue to safeguard shareholder interests and rights. The Company does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal.

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

To ensure transparency in the voting process and better reflect shareholders' interests, the Company puts all resolutions at general meetings to vote by electronic poll voting. An independent scrutineer is also appointed to count and validate the votes cast at the meetings. Detailed results showing the number of votes cast for and against each resolution and the respective percentage will be displayed live-on-screen to shareholders/proxies immediately after each poll conducted. The polling results are also announced on the SGX-ST and the Company's website. However, as the authentication of shareholders identity and other related security and integrity of the information still remain a concern, PCI has decided for the time being, not to implement voting in absentia by e-mail or fax.

Dealings in Securities

The Group has clear internal guidelines for dealings in securities of the Company by Directors and employees. PCI's Directors and employees are prohibited from dealing in PCI's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. In addition, Directors and employees are prohibited from dealing in PCI's shares on short-term considerations and/or while in possession of unpublished material price-sensitive information relating to PCI shares.



FINANCIAL STATEMENTS

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of PCI Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2018.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) 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.

Directors

The directors of the Company in office at the date of this statement are:

Peh Kwee Chim
Loh Kee Kong
Peh Siong Woon Terence
Lo Pang Foo Steven
Ho Soo Ching
Joanna Young Sau Kwan (appointed on 3 April 2018)
Eldon Wan (appointed on 3 April 2018)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable a director of the Company to acquire benefits by means of the acquisition of shares or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, Chapter 50 of Singapore, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director and Company in which interest is held	Direct interest: At beginning of year or date of appointment	Direct interest: At end of year	Deemed interest: At beginning of year or date of appointment	Deemed interest: At end of year
The Company				
PCI Limited				
Ordinary shares				
Peh Kwee Chim	–	–	152,701,506[1]	152,701,506[1]
Peh Siong Woon Terence	–	–	152,701,506[1]	152,701,506[1]
Ho Soo Ching	40,000	40,000	10,000[2]	10,000[2]
Holding Company				
Chuan Hup Holdings Limited				
Ordinary shares				
Peh Kwee Chim	19,379,000	19,379,000	478,264,490[1]	478,264,490[1]
Peh Siong Woon Terence	–	–	478,264,490[1]	478,264,490[1]
Ho Soo Ching	70,000	70,000	40,000[2]	40,000[2]
Joanna Young Sau Kwan	22,500	22,500	–	–

(1) Deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore and Section 7 of the Companies Act, Chapter 50 of Singapore.

(2) Deemed to have an interest pursuant to Section 164 of the Companies Act, Chapter 50 of Singapore.

The directors' interests as at 21 July 2018 were the same as those at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become 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. Certain directors received remuneration from related corporations in their capacities as executives of those related corporations.

Share options

During the financial year, there was:

(a) no option granted by the Company or any corporation in the Group to any person to take up unissued shares of the Company or any corporation in the Group; and

(b) no share issued by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group.

At the end of the financial year, there was no unissued share of the Company or any corporation in the Group under option.

DIRECTORS' STATEMENT

Audit committee

The Audit Committee comprises the following Non-Executive Directors at the date of this statement:

Ho Soo Ching (Chairman)
Loh Kee Kong
Lo Pang Foo Steven

All the Audit Committee members, except Mr Loh Kee Kong, are independent.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, Chapter 50 of Singapore and the Singapore Exchange Securities Trading Limited Listing Manual. The functions carried out are detailed in the Corporate Governance Report, which is included in the Company's Annual Report for the financial year ended 30 June 2018 and include a review of the financial statements of the Company and of the Group for the financial year and the independent auditors' report thereon.

The Audit Committee, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

The Audit Committee has recommended to the Board that the independent external auditor, Ernst & Young LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Peh Siong Woon Terence
Director

Peh Kwee Chim
Director

Singapore
29 August 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PCI LIMITED
For the financial year ended 30 June 2018

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PCI Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each of the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recoverability of trade receivables

As at 30 June 2018, the Group has trade receivables amounting to US$39,301,000.

Management exercise judgement in their assessment as to whether trade receivables are recoverable.

These judgements include the evaluation of collection risk and expected future receipts from trade debtors based on historical collection trends, ageing profile of trade receivables as well as management's knowledge of the trade debtor's business and financial condition. As such, we identified this as a key audit matter.

How our audit addressed the key audit matter

We obtained an understanding of the Group's processes and key controls over the monitoring of outstanding trade receivables.

We considered the ageing profile of trade receivables to identify collection risks. We discussed with management and evaluated their assessment of the recoverability of outstanding trade receivables and the adequacy of allowance for doubtful receivables required based on the ageing profile, receipts from trade debtors subsequent to the financial year end, historical collection trends, and knowledge of the business and financial condition. In particular, we focused on long outstanding trade receivables and trade receivables which are past due but not impaired.

The Group's credit risk management is disclosed in Note 4 to the financial statements and information related to trade receivables is provided in Note 7 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PCI LIMITED
For the financial year ended 30 June 2018

Key audit matters (cont'd)

Allowance for inventories – raw materials

As at 30 June 2018, the Group has raw materials of US$26,832,000, net of allowance for raw materials of US$2,547,000.

The valuation of raw materials and their expected usage are affected by market demand. Management exercise judgement in their assessment as to whether an allowance is required to be set aside for excess, obsolete or slow moving raw materials so that they are carried at the lower of cost and net realisable value.

These judgements include the estimation of the future expected usage of raw materials for production taking into account changes in technology and customer demand. As such, we identified this as a key audit matter.

How our audit addressed the key audit matter

We obtained an understanding of the Group's processes and key controls over the valuation of raw materials.

We considered whether there were obsolete or slow-moving items of raw materials identified during our observation of physical inventory counts at the selected key locations.

We considered the ageing profile of raw materials. We discussed with management and evaluated their assessment of the valuation of raw materials and the adequacy of allowance of raw materials based on the ageing profile and their expected usage and knowledge of changes in technology and customer demand.

The key areas of judgement and estimation involved in allowance for raw materials are disclosed in Note 3 to the financial statements and information related to inventories is provided in Note 10 to the financial statements.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PCI LIMITED
For the financial year ended 30 June 2018

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT
AUDITOR'S REPORT
TO THE MEMBERS OF PCI LIMITED
For the financial year ended 30 June 2018

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Terry Wee Hiang Bing.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
29 August 2018

BALANCE SHEETS

As at 30 June 2018

	Note	Group 2018 US$'000	Group 2017 US$'000	Company 2018 US$'000	Company 2017 US$'000
Assets					
Current assets					
Cash and bank balances	6	57,974	39,929	54,353	34,905
Trade receivables	7	39,301	38,992	36,621	37,042
Other receivables and prepayments	8	1,928	4,305	1,436	2,452
Amounts due from subsidiaries	9	–	–	605	3,733
Inventories	10	38,793	36,809	34,356	32,085
		137,996	120,035	127,371	110,217
Non-current assets					
Property, plant and equipment	11	10,603	8,383	6,752	5,359
Prepaid lease payments	12	17,734	18,580	15,563	16,018
Investment in subsidiaries	13	–	–	12,176	12,029
Other assets	14	80	261	80	261
Deferred tax assets	16	105	96	–	–
		28,522	27,320	34,571	33,667
Total assets		166,518	147,355	161,942	143,884
Equity and liabilities					
Current liabilities					
Trade payables, other payables and provision	15	60,039	56,208	48,310	47,662
Amounts due to subsidiaries	9	–	–	18,330	12,426
Income tax payable		4,968	2,819	4,447	2,468
		65,007	59,027	71,087	62,556
Non-current liabilities					
Deferred tax liabilities	16	786	765	786	765
Defined benefit obligations		205	198	–	–
		991	963	786	765
Total liabilities		65,998	59,990	71,873	63,321
Equity attributable to equity holders of the Company					
Share capital	17	44,667	44,667	44,667	44,667
Foreign currency translation reserve	18	1,286	1,191	–	–
Retained earnings		54,567	41,507	45,402	35,896
Total equity		100,520	87,365	90,069	80,563
Total equity and liabilities		166,518	147,355	161,942	143,884

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

CONSOLIDATED
INCOME STATEMENTS
For the financial year ended 30 June 2018

	Note	Group 2018 US$'000	Group 2017 US$'000
Revenue	19	288,673	198,917
Cost of sales:			
Raw material and consumables		(222,421)	(149,812)
Manufacturing expenses		(27,238)	(22,071)
Other operating expenses		–	(1,357)
Direct depreciation/amortisation		(2,527)	(2,181)
		(252,186)	(175,421)
Gross profit		36,487	23,496
Other income	20	884	234
Other expenses:			
Business development expenses		(5,055)	(4,306)
General and administrative expenses		(8,516)	(6,003)
Indirect depreciation		(824)	(569)
Foreign exchange (loss)/gain		(93)	96
		(14,488)	(10,782)
Profit before tax	22	22,883	12,948
Income tax expense	21	(4,702)	(2,330)
Profit for the year		18,181	10,618
Attributable to:			
Equity holders of the Company		18,181	10,626
Non-controlling interests		–	(8)
		18,181	10,618
Earnings per share (US cents):			
– Basic	23	9.13	5.34
– Diluted	23	9.13	5.34

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME
For the financial year ended 30 June 2018

	Group	
	2018 US$'000	2017 US$'000
Profit for the year	18,181	10,618
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	95	(511)
Realisation of foreign currency translation reserve upon liquidation of a subsidiary	–	(81)
Other comprehensive gain/(loss) for the year, net of tax	95	(592)
Total comprehensive income for the year	18,276	10,026
Total comprehensive income attributable to:		
Equity holders of the Company	18,276	10,034
Non-controlling interests	–	(8)
	18,276	10,026

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2018

Group	Share capital US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Attributable to equity holders of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 July 2016	44,667	1,783	38,722	85,172	46	85,218
Profit for the year	–	–	10,626	10,626	(8)	10,618
Other comprehensive income						
Exchange differences on translation of foreign operations	–	(511)	–	(511)	–	(511)
Realisation of foreign currency translation reserve upon liquidation of a subsidiary	–	(81)	–	(81)	–	(81)
Other comprehensive income, net of tax	–	(592)	–	(592)	–	(592)
Total comprehensive income for the year	–	(592)	10,626	10,034	(8)	10,026
Contributions by and distributions to owners						
Dividends paid (Note 24)	–	–	(7,841)	(7,841)	–	(7,841)
Dividends paid to non-controlling interest of a subsidiary	–	–	–	–	(8)	(8)
Return of capital to non-controlling interest upon liquidation of a subsidiary	–	–	–	–	(30)	(30)
Total contributions by and distributions to owners for the year	–	–	(7,841)	(7,841)	(38)	(7,879)
Balance at 30 June 2017	44,667	1,191	41,507	87,365	–	87,365

STATEMENTS OF
CHANGES IN EQUITY
For the financial year ended 30 June 2018

Group	Share capital US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Attributable to equity holders of the Company US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 July 2017	44,667	1,191	41,507	87,365	–	87,365
Profit for the year	–	–	18,181	18,181	–	18,181
Other comprehensive income						
Exchange differences on translation of foreign operations	–	95	–	95	–	95
Other comprehensive income, net of tax	–	95	–	95	–	95
Total comprehensive income for the year	–	95	18,181	18,276	–	18,276
Contributions by and distributions to owners						
Dividends paid (Note 24)	–	–	(5,121)	(5,121)	–	(5,121)
Total contributions by and distributions to owners for the year	–	–	(5,121)	(5,121)	–	(5,121)
Balance at 30 June 2018	44,667	1,286	54,567	100,520	–	100,520

STATEMENTS OF
CHANGES IN EQUITY
For the financial year ended 30 June 2018

Company	**Share capital US$'000**	**Retained earnings US$'000**	**Total US$'000**
Balance at 1 July 2016	44,667	37,539	82,206
Profit for the year	–	6,198	6,198
Total comprehensive income for the year	–	6,198	6,198
Contributions by and distributions to owners			
Dividends paid (Note 24)	–	(7,841)	(7,841)
Total contributions by and distributions to owners for the year	–	(7,841)	(7,841)
Balance at 30 June 2017 and at 1 July 2017	44,667	35,896	80,563
Profit for the year	–	14,627	14,627
Total comprehensive income for the year	–	14,627	14,627
Contributions by and distributions to owners			
Dividends paid (Note 24)	–	(5,121)	(5,121)
Total contributions by and distributions to owners for the year	–	(5,121)	(5,121)
Balance at 30 June 2018	44,667	45,402	90,069

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

CONSOLIDATED
CASH FLOW STATEMENT
For the financial year ended 30 June 2018

	Group	
	2018	**2017**
	US$'000	**US$'000**
Cash flows from operating activities		
Profit before tax	22,883	12,948
Adjustments for:		
Depreciation of property, plant and equipment	2,674	2,065
Amortisation of prepaid lease payments	677	685
(Gain)/loss on disposal of property, plant and equipment	(39)	190
Write-back of impairment loss on other assets	–	(24)
Gain on disposal of other assets	(32)	–
Addition/(write back) of allowance for inventories	641	(721)
Gain on liquidation of a subsidiary	–	(81)
Interest income	(366)	(269)
Foreign exchange loss/(gain)	271	(254)
Operating profit before working capital changes	26,709	14,539
Trade receivables	(309)	34
Other receivables and prepayments	2,387	(2,582)
Other assets	213	–
Inventories	(2,625)	(5,019)
Trade payables, other payables and provision	3,838	15,950
Cash generated from operations	30,213	22,922
Interest received	356	219
Income tax paid	(2,514)	(1,633)
Net cash flows generated from operating activities	28,055	21,508
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	39	1
Purchase of property, plant and equipment	(4,938)	(1,563)
Net cash flows used in investing activities	(4,899)	(1,562)
Cash flows from financing activities		
Dividends paid on ordinary shares	(5,121)	(7,841)
Dividends paid to non-controlling interest of a subsidiary	–	(8)
Return of capital to non-controlling interest upon liquidation of a subsidiary	–	(30)
Net cash flows used in financing activities	(5,121)	(7,879)
Net increase in cash and bank balances	18,035	12,067
Cash and bank balances at beginning of year	39,929	27,916
Effect of currency translation on balances held in foreign currencies	10	(54)
Cash and cash equivalents at end of year	57,974	39,929

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

1. General information

PCI Limited (the "Company") is a limited liability company incorporated and domiciled in the Republic of Singapore, with its principal place of business and registered office at 35 Pioneer Road North, Singapore 628475. The Company is listed on the Singapore Exchange Securities Trading Limited. The Company's immediate and ultimate holding company is Chuan Hup Holdings Limited, incorporated in the Republic of Singapore. The immediate and ultimate holding company is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are providing electronics manufacturing services and investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group, the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("USD" or "US$") which is the functional currency of the Group and all values in the tables are rounded to the nearest thousand ("US$'000") as indicated.

<u>Convergence with International Financial Reporting Standards</u>

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 will adopt SFRS(I) on 1 July 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 July 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 July 2017. The Group expects to reclassify an amount of US$1,191,000 of foreign currency translation reserve to the opening retained earnings as at 1 July 2017.

Other than the effects of the matter as described above and the adoption of the new standards that are effective on 1 July 2018, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 July 2017. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 28: *Measuring an Associate or Joint Venture at fair value*	1 January 2018
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
FRS 115: *Revenue from Contracts with Customers*	1 January 2018
FRS 109: *Financial Instruments*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 104: *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
FRS 116: *Leases*	1 January 2019
Improvements to FRSs (March 2018) – Amendments to FRS 103 Business Combinations – Amendments to FRS 111 Joint Arrangements – Amendments to FRS 12 Income Taxes – Amendments to FRS 23 Borrowing Costs	1 January 2019
Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to SFRS(I) 1-28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to SFRS(I) 9: Prepayment Features with Negative Compensation	1 January 2019
SFRS(I) 17: Insurance Contracts	1 January 2021
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 July 2018. Upon adoption of SFRS(I) on 1 July 2018, the SFRS(I) equivalent of the above standards that are effective on 1 July 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SFRS(I) 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.3 *Standards issued but not yet effective* (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers* (cont'd)

The Group plans to apply the changes in accounting policies retrospective to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

– For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts on 1 January 2017; and

– For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

The Group is in the process of performing an impact assessment of adopting SFRS(I) 15 based on currently available information. Based on its preliminary assessment, an area of potential impact is the new guidance on recognition of revenue when the entity satisfy the performance obligations relating to manufacturing revenue involving the production of goods that have no alternative use to the Group and for which the Group has an enforceable right to payment.

SFRS(I) 15 states that an entity transfers control of a good or service over time (and, therefore, satisfies a performance obligation and recognises revenue over time) if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) The entity's performance creates or enhances an asset (e.g. work in progress) that the customer controls as the asset is created or enhanced; or

(c) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the Group is unable to demonstrate that control transfer over time, presumption is that control transfers at a point in time. The Group is in the process of determining if there will be significant impact upon adoption of SFRS(I) 15.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on trade receivables either on a 12-month or lifetime basis. The Group is in the process of performing an impact assessment of adopting SFRS(I) 9 based on currently available information. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group will need to continuously perform a detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

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

2.3 ***Standards issued but not yet effective*** (cont'd)

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of SFRS(I) 16 and expects that the adoption of SFRS(I) 16 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I) 16 and assessing the possible impact of adoption.

2.4 ***Basis of consolidation and business combinations***

(a) *Basis of 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 period as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains or 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 within a subsidiary are attributed to the non-controlling interests 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:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls are lost;
- derecognises the carrying amount of any non-controlling interests;
- derecognises 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.

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

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

2.4 *Basis of consolidation and business combinations* (cont'd)

(b) *Business combinations*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 *Transactions with non-controlling interests*

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly to owners of the Company.

Changes in the Company owners' ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amount of the controlling and non-controlling interests is adjusted to reflect the changes in their relative interests in its subsidiary. Any differences 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 Company.

2.6 *Foreign currencies*

The financial statements are presented in USD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investments in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

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

2.6 *Foreign currencies* (cont'd)

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the average rate of the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	–	Over the shorter of the estimated useful life of the asset and the lease term
Plant and equipment	–	3 to 10 years
Motor vehicles	–	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual value, estimated useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

2.8 *Prepaid lease payments*

The prepaid lease payment is initially measured at cost. Following initial recognition, prepaid lease payment is measured at cost less accumulated amortisation. The prepaid lease payment is amortised on a straight-line basis over the remaining lease term.

2.9 *Club memberships*

Club membership was acquired separately and is not amortised as its useful life is infinite. The club membership is tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired. The useful life of club membership is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from infinite to finite is made on a prospective basis.

2.10 *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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.11 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those production overheads, where applicable, that have been incurred in bringing the inventories to that present location and condition. Direct material cost is calculated using the moving weighted average method.

Where necessary, allowance is provided for excess, obsolete and slow moving items to adjust the carrying value of inventories to the lower cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.12 *Impairment of non-financial assets*

The Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset in cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.13 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

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

2.13 *Financial assets* (cont'd)

Subsequent measurement

The subsequent measurement of financial assets depends on their classifications as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

The Group may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met and the designation is determined on an instrument by instrument basis:

– The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;

– The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performances evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

– The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss includes exchange differences, interests and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired and through the amortisation process. The Group and the Company's loans and receivables comprise cash and bank balances, trade receivables, other receivables and amounts due from subsidiaries.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income are recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.14 *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there are any objective evidence that a financial asset is impaired:

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amounts of the loss is measured as the differences between the asset's carrying amount and the present values of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written-off against the carrying values of the financial assets.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.15 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and deposits with financial institutions which are subject to an insignificant risk of changes in value.

2.16 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provisions are reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

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

2.17 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classifications as follows:

(a) <u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(b) <u>Financial liabilities that are not carried at fair value through profit or loss</u>

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process. The Group and the Company's financial liabilities measured at amortised cost comprise trade and other payables and amounts due to related companies.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the differences in the respective carrying amount is recognised in profit or loss.

2.18 *Employee benefits*

(a) *Defined contribution plan*

The Group participates in the national pension schemes as defined by the laws of the countries which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the financial period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.19 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or duties. The Group has assessed its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific revenue recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers 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) *Rendering of services*

Revenue from rendering of services is recognised when service is rendered. Revenue from the design or development of new product is recognised by reference to certain stage of completion at the end of the reporting period. Stage of completion is determined by reference to actual expenses incurred to date divided by the total budgeted cost.

(c) *Rental income*

Rental income arising from operating leases on leasehold property is accounted for on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) *Dividend income*

Dividend income from investments is recognised when the Group's right to receive payment is established.

(e) *Interest income*

Interest income from fixed deposits is recognised using the effective interest method.

2.20 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions were appropriate.

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

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

2.20 ***Taxes*** (cont'd)

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, an associate and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

– where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of goods and services tax ("GST") and value added tax ("VAT") recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.21 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.22 *Leases*

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interests on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the financial periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.19 to the financial statements. Contingent rents are recognised as revenue in the financial period in which they are earned.

3. Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements made in applying accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

3. Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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 estimates on parameters available when the financial statements were 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 assumptions when they occur.

(a) *Recoverability of trade receivables*

In making the estimation, management considered the procedures that have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the environment in which the debtor operates in. Specific allowance is only made for receivables that are unlikely to be collected. The carrying amounts of trade receivables as at financial year end are disclosed in Note 7 to the financial statements.

(b) *Allowance for inventories – raw materials*

The Group and the Company review its raw materials levels in order to identify excess, obsolete and slow moving items of raw materials. Where the Group and the Company identify items of raw materials that exceed their expected usage which had been estimated based on customer demand, the Group and the Company estimate the amounts of allowance of raw materials so that they are carried at net realisable value that is lower than its carrying amount. Management is satisfied that adequate allowance for excess, obsolete and slow moving items of raw materials has been made in the financial statements. The carrying amounts of raw materials as at financial year end are disclosed in Note 10 to the financial statements.

(c) *Income taxes*

Significant judgement is involved in determining the Group and the Company's provision for taxation. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises liabilities for expected tax issues based on the 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 provisions in the financial period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of tax losses carried forward is disclosed in Note 21.

The carrying amount of the Group's income tax payable, deferred tax assets and deferred tax liabilities as at 30 June 2018 was US$4,968,000, US$105,000 and US$786,000 (2017: US$2,819,000, US$96,000 and US$765,000), respectively. The carrying amount of the Company's income tax payable and deferred tax liabilities as at 30 June 2018 was US$4,447,000 and US$786,000 (2017: US$2,468,000 and US$765,000), respectively.

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FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

4. Financial instruments, financial risk and capital management

(a) ***Categories of financial instruments***

The following table sets out the financial instruments at the end of the reporting period:

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Financial assets				
Loans and receivables				
Cash and cash equivalents	58,307	40,029	54,686	35,005
Trade receivables	39,301	38,992	36,621	37,042
Amounts due from subsidiaries	–	–	605	3,733
Other receivables	238	730	16	17
	97,846	79,751	91,928	75,797
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	55,869	48,535	45,103	40,699
Amounts due to subsidiaries	–	–	18,330	12,426
	55,869	48,535	63,433	53,125

(b) ***Financial risk management policies and objectives***

Risk management is integral to the whole business of the Group and the Company. The management continually monitors the Group's and the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's and the Company's activities.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures were measured using sensitivity analysis indicated below:

(i) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group's and the Company's exposure to credit risk arises primarily from trade receivables and other receivables. The Group and the Company have adopted a policy of only dealing with recognised and creditworthy counterparties. Trade receivables consist of a large number of customers, spread across Asia Pacific, Europe and North America.

The Group and the Company perform ongoing credit evaluations of its customers' financial conditions and generally does not require collateral. This evaluation includes assessing and valuation of customers' credit reliability and periodic review of their financial status to determine credit limits to be granted.

<u>Exposure to credit risk</u>

The carrying amount of financial assets recorded in the financial statements, represents the Group's and the Company's maximum exposure to credit risk without taking account the value of any collateral obtained.

Further details of credit risks on trade receivables and other receivables are disclosed in Notes 7 and 8, respectively to the financial statements.

Cash at banks and fixed deposits are held with creditworthy financial institutions.

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FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

4. Financial instruments, financial risk and capital management (cont'd)

(b) ***Financial risk management policies and objectives*** (cont'd)

(i) *Credit risk* (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2018		2017	
	US$'000	% of total	US$'000	% of total
By country:				
United States of America	26,115	66%	24,530	63%
People's Republic of China	4,133	11%	3,005	8%
Republic of Ireland	3,866	10%	5,729	15%
Singapore	1,548	4%	1,342	3%
Other countries	3,639	9%	4,386	11%
	39,301	100%	38,992	100%

At the end of the reporting period, approximately 22% (2017: 50%) of the Group's trade receivables was due from two major customers from United States of America and one major customer from Republic of Ireland.

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. Summary quantitative data of the Group's and the Company's interest bearing financial instruments can be found in Section b(iv) of this note.

There is no sensitivity analysis prepared as the Group and the Company do not expect any material effect on the Group's and the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

(iii) *Foreign currency risk*

Foreign currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations where the commercial transaction or recognised assets and liabilities are denominated in a currency other than the respective functional currencies of Group entities and the Company. The Group and the Company have transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD, Renminbi (RMB) and Indonesian Rupiah (IDR). The foreign currencies in which these transactions are denominated mainly in are USD, SGD, IDR and Euro.

4. Financial instruments, financial risk and capital management (cont'd)

(b) *Financial risk management policies and objectives* (cont'd)

(iii) *Foreign currency risk* (cont'd)

At the end of the reporting period, the material carrying amount of monetary assets and monetary liabilities, including intercompany balances denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Singapore dollars	702	874	6,946	6,528	603	771	6,654	6,270
Indonesian rupiah	215	35	1,552	–	215	35	1,552	–
United States dollars	12,910	8,602	3,073	2,109	–	–	–	–
Euro	1	27	206	258	1	27	206	258

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

The following table details the sensitivity to a 5% increase/(decrease) in the relevant functional currencies against the foreign currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (excluding derivative financial instruments) and adjusts their translations at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the relevant functional currency of each group entity weakens by 5% against the foreign currencies, profit before tax for the financial year will increase/(decrease) by:

	Singapore dollars impact		United States dollars impact	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Group				
Profit before tax for the year	(297)	(269)	468	309

A 5% strengthening of the relevant foreign currency against the functional currency of each group entity would have resulted in an equal but opposite effect on the financial statements of the Group and the Company, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

4. Financial instruments, financial risk and capital management (cont'd)

(b) *Financial risk management policies and objectives* (cont'd)

(iv) *Liquidity risk*

Liquidity risk refers to the risk in which the Group and the Company are unable to meet its short-term obligations and this arises from the possibility that customers may not be able to settle their obligations within the normal terms of trade. Liquidity risk is managed by matching the payment and receipt cycle. Management is of the opinion that liquidity risk is minimal as the Group and the Company have sufficient funds generated through operations to meet funding requirements and adequate lines of credit are also maintained to ensure the necessary liquidity.

Liquidity risk analysis

Non-derivative financial liabilities

All financial liabilities of the Group and the Company are repayable on demand or due within one year.

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's and the Company's liquidity risk management as the Group's and the Company's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interests that will be earned on those assets:

Group	Weighted average effective interest rate %	On demand or within 1 year US$'000
2018		
Non-interest bearing (Notes 7 and 8)	–	39,539
Variable interest rate instruments (Note 6)	–	11,048
Fixed deposits	2.16	47,259
		97,846
2017		
Non-interest bearing (Notes 7 and 8)	–	39,722
Variable interest rate instruments (Note 6)	–	13,581
Fixed deposits	1.05	26,448
		79,751

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4. Financial instruments, financial risk and capital management (cont'd)

(b) ***Financial risk management policies and objectives*** (cont'd)

(iv) *Liquidity risk* (cont'd)

Liquidity risk analysis (cont'd)

Non-derivative financial assets (cont'd)

Company	**Weighted average effective interest rate %**	**On demand or within 1 year US$'000**
2018		
Non-interest bearing (Notes 7, 8 and 9)	–	37,242
Variable interest rate instruments (Note 6)	–	7,427
Fixed deposits	2.16	47,259
		91,928
2017		
Non-interest bearing (Notes 7, 8 and 9)	–	40,792
Variable interest rate instruments (Note 6)	–	8,557
Fixed deposits	1.05	26,448
		75,797

(v) *Fair value of financial assets and financial liabilities*

The carrying amount of cash and bank balances, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
Level 3 – Unobservable inputs for the asset or liability.

There have been no transfers of fair value instruments between levels during the financial years ended 30 June 2018 and 30 June 2017.

(c) ***Capital management***

The primary objective of the Group's capital management is to maintain an optimal capital structure to maximise shareholders' value and to support business growth, taking into consideration underlying business risks.

The Group manages its capital through regular reviews to ensure business returns commensurate with the level of risks and adjustments to capital allocations are made in light of changes in economic conditions. No changes were made in the Group's objectives and policies during the financial years ended 30 June 2018 and 2017.

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FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

5. Related party transactions

Related companies in these financial statements refer to members of the holding company's group of companies. Some of the Company's transactions and arrangements were between members of the Group and the effect of these, on the basis determined between the parties, is reflected in these financial statements.

	Group and Company	
	2018 US$'000	2017 US$'000
Transactions with holding company:		
Rental income[1]	(102)	(99)
Legal and professional fees[1]	224	302
Transactions with companies associated with key management personnel:		
Engineering support services[2]	501	647

[1] Arising from Chuan Hup Holdings Limited.

[2] Arising from company controlled by family member of a director.

The remuneration of directors and other members of key management during the financial year are as follows:

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Short-term benefits	4,240	3,094	4,208	3,064
Defined contribution plan	93	93	93	93
	4,333	3,187	4,301	3,157

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

6. Cash and bank balances

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Cash at banks	11,048	13,581	7,427	8,557
Fixed deposits	46,926	26,348	46,926	26,348
	57,974	39,929	54,353	34,905

The carrying amount of these assets approximates their fair value.

Fixed deposits held during the financial year earned interest at rates ranging from 1.02% to 2.21% (2017: 0.17% to 5.60%) per annum.

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FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

6. Cash and bank balances (cont'd)

The Group and the Company's cash and bank balances that were not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2018 US$'000	**2017 US$'000**	**2018 US$'000**	**2017 US$'000**
Singapore dollars	644	819	577	754
Chinese yuan	73	71	–	–
United States dollars	1,157	2,591	–	–
Indonesian rupiah	215	110	215	110

7. Trade receivables

	Group		Company	
	2018 US$'000	**2017 US$'000**	**2018 US$'000**	**2017 US$'000**
Trade receivables	39,301	38,992	36,621	37,042

The average credit period on sale of goods was 61 days (2017: 67 days). They were recognised at their original invoice amounts which represent their fair values at initial recognition.

Before accepting any new customers, the Group will assess the potential customers' credit quality. Credit limits are monitored periodically by management.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

The table below is an analysis of trade receivables as at 30 June:

	Group		Company	
	2018 US$'000	**2017 US$'000**	**2018 US$'000**	**2017 US$'000**
Not past due and not impaired	34,606	35,367	32,336	33,446
Past due but not impaired:				
– Less than 3 months	4,212	3,625	3,802	3,596
– 3 months or more	483	–	483	–
	39,301	38,992	36,621	37,042

No allowance was made to the above receivables that were past due but not impaired as there has not been a significant change in credit quality and the amounts were still considered recoverable.

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7. Trade receivables (cont'd)

The Group and the Company's trade receivables that were not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
United States dollars	1,057	520	–	–

8. Other receivables and prepayments

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
GST/VAT recoverable	826	529	807	512
Prepayments	795	2,987	546	1,864
Deposits	190	671	16	17
Others	117	118	67	59
	1,928	4,305	1,436	2,452

The Group and the Company's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Singapore dollars	48	54	16	17
United States dollars	20	21	–	–

9. Amounts due from/(to) subsidiaries

	Company	
	2018 US$'000	2017 US$'000
Amounts due from subsidiaries	605	3,733
Amounts due to subsidiaries	(18,330)	(12,426)

The above balances are trade in nature, unsecured, non-interest bearing and repayable on demand.

Amounts due to subsidiaries that were not denominated in the functional currency of the Company are as follows:

	Company	
	2018 US$'000	2017 US$'000
Indonesian rupiah	(1,552)	75
Singapore dollars	(5,510)	(5,295)

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10. Inventories

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Balance sheet				
Raw materials	26,832	27,254	23,175	23,445
Work-in-progress	1,939	1,740	1,791	1,540
Finished goods	10,022	7,815	9,390	7,100
	38,793	36,809	34,356	32,085
Income statement				
Inventories recognised as an expense in cost of sales	222,421	149,812	221,658	147,949
Inventories written down	641	–	648	–
Write back of allowance for inventories no longer required	–	(721)	–	(807)

11. Property, plant and equipment

Group	Leasehold improvements US$'000	Plant and equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost				
At 1 July 2016	5,069	29,476	1,035	35,580
Translation adjustment	(86)	(111)	(2)	(199)
Additions	140	1,325	98	1,563
Disposals	–	(2,420)	(34)	(2,454)
At 30 June 2017 and at 1 July 2017	5,123	28,270	1,097	34,490
Translation adjustment	(93)	67	(6)	(32)
Additions	305	4,231	402	4,938
Disposals	(318)	(1,329)	(57)	(1,704)
Transfers	202	(202)	–	–
At 30 June 2018	5,219	31,037	1,436	37,692
Accumulated depreciation				
At 1 July 2016	565	25,326	451	26,342
Translation adjustment	10	(45)	(2)	(37)
Depreciation	571	1,316	178	2,065
Disposals	–	(2,229)	(34)	(2,263)
At 30 June 2017 and at 1 July 2017	1,146	24,368	593	26,107
Translation adjustment	(17)	34	(5)	12
Depreciation	560	1,890	224	2,674
Disposals	(318)	(1,329)	(57)	(1,704)
Transfers	(14)	14	–	–
At 30 June 2018	1,357	24,977	755	27,089
Net carrying amount				
At 30 June 2017	3,977	3,902	504	8,383
At 30 June 2018	3,862	6,060	681	10,603

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

11. Property, plant and equipment (cont'd)

Company	Leasehold improvements US$'000	Plant and equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost				
At 1 July 2016	1,369	24,390	871	26,630
Additions	–	881	–	881
Disposals	–	(762)	–	(762)
At 30 June 2017 and at 1 July 2017	1,369	24,509	871	26,749
Additions	65	2,807	321	3,193
Disposals	–	(926)	(10)	(936)
Transfers	236	(236)	–	–
At 30 June 2018	1,670	26,154	1,182	29,006
Accumulated depreciation				
At 1 July 2016	27	20,503	318	20,848
Depreciation	44	1,075	169	1,288
Disposals	–	(746)	–	(746)
At 30 June 2017 and at 1 July 2017	71	20,832	487	21,390
Depreciation	45	1,575	180	1,800
Disposals	–	(926)	(10)	(936)
At 30 June 2018	116	21,481	657	22,254
Net carrying amount				
At 30 June 2017	1,298	3,677	384	5,359
At 30 June 2018	1,554	4,673	525	6,752

Commitments

As at 30 June 2018, the Group and the Company have US$ Nil (2017: US$ 2,455,000 and US$ 1,642,000) respectively of capital expenditure contracted for but not recognised in the financial statements.

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12. Prepaid lease payments

	Group US$'000	Company US$'000
Cost		
At 1 July 2016	20,018	17,002
Translation adjustment	(42)	–
At 30 June 2017 and at 1 July 2017	19,976	17,002
Translation adjustment	(209)	–
At 30 June 2018	19,767	17,002
Accumulated amortisation		
At 1 July 2016	714	530
Translation adjustment	(3)	–
Amortisation	685	454
At 30 June 2017 and at 1 July 2017	1,396	984
Translation adjustment	(40)	–
Amortisation	677	455
At 30 June 2018	2,033	1,439
Net carrying amount		
At 30 June 2017	18,580	16,018
At 30 June 2018	17,734	15,563

Details of the properties held under the prepaid lease payments of the Group:

Description	Lease term	Date of acquisition	Location	Area
Leasehold land and Buildings	60 years from 1 May 1993	Leasehold land and buildings were acquired in 2015 at cost of US$17,002,000	35 Pioneer Road North Singapore 628475	7,689 sqm
Leasehold land and Buildings	30 years from 24 November 1998	Leasehold land and buildings were acquired in 2015 at cost of US$2,975,000	Kawasan Industry Panbil C1, Lot 2-3 Muka Kuning, Batam	16,402 sqm

The property rental income from the Group's leasehold properties which are leased out under operating leases amounted to US$266,000 (2017: US$1,692,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating leasehold property amounted to US$149,000 (2017: US$1,372,000).

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13. Investment in subsidiaries

	Company 2018 US$'000	Company 2017 US$'000
Unquoted equity shares, at cost	15,496	15,349
Less: Impairment loss	(3,320)	(3,320)
	12,176	12,029

The subsidiaries of the Company as at 30 June are set out below:

Name of subsidiaries	Principal activities	Country of incorporation	Cost of investments 2018 US$'000	Cost of investments 2017 US$'000	Proportion of effective ownership 2018 %	Proportion of effective ownership 2017 %
Subsidiaries of PCI Limited						
Printed Circuits International Incorporated[7]	Investment holding and provision of support on manufacturing services	United States of America	6,467	6,467	100.0	100.0
PT. Prima Circuitama Indonesia[2]	Dormant	Indonesia	213	213	92.5	92.5
PT. PCI Elektronik Internasional[2]	Provision of electronic manufacturing services	Indonesia	500	500	100.0	100.0
Pacific Gain Holding Limited[7]	Investment holding	British Virgin Islands	*	*	100.0	100.0
PCI China Private Limited[1]	Investment holding	Singapore	5,100	5,100	100.0	100.0
Quijul Pte Ltd[1]	Rental of property	Singapore	*	*	100.0	100.0
PCI Technology Enabler Pte. Ltd.[1] [8]	Provision of research and development services	Singapore	147	–	100.0	–
Subsidiaries of Printed Circuits International Incorporated						
Printed Circuits International Private Limited[1]	Rendering of estate management services	Singapore	–	–	100.0	100.0
PCI Displays Pte. Ltd.[1]	Provision of electronic manufacturing and information technology services	Singapore	–	–	100.0	100.0

* Cost of investments at US$1.00.

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13. Investment in subsidiaries (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Cost of investments 2018 US$'000	Cost of investments 2017 US$'000	Proportion of effective ownership 2018 %	Proportion of effective ownership 2017 %
Subsidiaries of Pacific Gain Holding Limited						
Polymicro Corporation (Singapore) Pte Ltd[(1) (3)]	Investment holding	Singapore	3,069	3,069	100.0	100.0
Polymicro Precision Technology (Thailand) Co. Ltd[(4)]	Dormant	Thailand	–	–	100.0	100.0
Technology Enabler Designers Phils. Inc.[(5)]	Provision of research and development services	Philippines	–	–	100.0	100.0
Subsidiaries of PCI China Private Limited						
PCI Shanghai Electronics Co., Ltd.[(6)]	Provision of electronic manufacturing services	China	–	–	100.0	100.0
PCI Kunshan Electronics Co., Ltd.[(6)]	Provision of electronic manufacturing services	China	–	–	100.0	100.0
Subsidiaries of Quijul Pte Ltd						
Quijul Logistics Pte. Ltd.[(1)]	Value added logistics provider and general warehousing	Singapore	–	–	100.0	100.0
			15,496	15,349		

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by another firm of auditor (Drs. Bernardi & Co. Registered Public Accountants, Jakarta, Indonesia).

(3) The investment represents 8% equity interests and 5,000,000 preference shares held by the Company. The remaining 92% equity interests are held by Pacific Gain Holding Limited, a subsidiary of the Company.

(4) Audited by another firm of auditor (V.A.T. Accounting, Bangkok, Thailand).

(5) Audited by member firm of Ernst & Young Global in Philippines (SGV & CO).

(6) Audited by another firm of auditor (Shanghai Linfang Certified Public Accountants, Co. Ltd, Shanghai, China).

(7) Not required to be audited by law in its country of incorporation.

(8) PCI Technology Enabler Pte. Ltd. was incorporated on 15 September 2017 and domiciled in Singapore.

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14. Other assets

	Group and Company US$'000
Cost	
At 1 July 2016, 30 June 2017 and at 1 July 2017	315
Additions	15
Disposals	(250)
At 30 June 2018	80
Accumulated impairment loss	
At 1 July 2016	78
Reversal of impairment loss	(24)
At 30 June 2017 and at 1 July 2017	54
Disposals	(54)
At 30 June 2018	–
Net carrying amount	
At 30 June 2017	261
At 30 June 2018	80

During the financial year, an impairment loss of US$ Nil (2017: a reversal of impairment loss of US$24,000), representing the revaluation of the club memberships' carrying amount to their recoverable amount was recognised in "general and administrative expenses" line item in profit or loss. The recoverable amount of the club memberships was based on their fair value less cost to sell.

Total fair value of club memberships as at 30 June 2018 is US$120,243 (2017: US$299,223).

15. Trade payables, other payables and provision

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Trade payables	44,224	41,139	36,769	35,449
Provision	5,002	3,971	3,964	3,089
Accruals	10,813	11,098	7,577	9,124
	60,039	56,208	48,310	47,662

The average credit period on purchases of goods was 71 days (2017: 71 days). No interest was charged by suppliers on the trade payables.

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15. Trade payables, other payables and provision (cont'd)

Trade payables, other payables and provision were substantially denominated in the functional currencies of the respective entities as at financial year end except as follows:

	Group		Company	
	2018 US$'000	**2017 US$'000**	**2018 US$'000**	**2017 US$'000**
Singapore dollars	1,363	1,160	1,144	975
United States dollars	3,073	2,109	–	–
Euro	206	258	206	258

The following table shows the movement of provision for the financial years ended 30 June 2018 and 2017:

	Group				Company
	Excess purchase order US$'000	**Staff retrenchment US$'000**	**Staff benefits US$'000**	**Total US$'000**	**Excess purchase order US$'000**
At 1 July 2016	2,194	697	–	2,891	1,866
Additions	1,223	162	–	1,385	1,223
Utilisation	(91)	(29)	–	(120)	–
Reclassification	–	(295)	126	(169)	–
Foreign currency translation	(5)	(11)	–	(16)	–
At 30 June 2017 and at 1 July 2017	3,321	524	126	3,971	3,089
Additions	952	284	79	1,315	952
Utilisation	(211)	(26)	(47)	(284)	(77)
Foreign currency translation	5	12	(17)	–	–
At 30 June 2018	4,067	794	141	5,002	3,964

16. Deferred tax

	Group				Company	
	Balance Sheet		Income Statement		Balance Sheet	
	2018 US$'000	**2017 US$'000**	**2018 US$'000**	**2017 US$'000**	**2018 US$'000**	**2017 US$'000**
Deferred tax liabilities						
Differences in depreciation for tax purposes	(786)	(765)	21	79	(786)	(765)
	(786)	(765)	21	79	(786)	(765)
Deferred tax assets						
Provision	105	92	(13)	(18)	–	–
Others	–	4	4	1	–	–
	105	96			–	–
Deferred Tax Expense			12	62		

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

16. Deferred tax (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2017: US$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to US$5,585,000 (2017: US$3,326,000). The deferred tax liability is estimated to be US$758,000 (2017: US$608,000).

17. Share capital

	Group and Company			
	2018		2017	
	No. of shares	US$'000	No. of shares	US$'000
Issued and fully paid ordinary shares:				
At beginning and end of year	199,099,000	44,667	199,099,000	44,667

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

18. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

19. Revenue

	Group	
	2018 US$'000	2017 US$'000
Sale of goods	269,205	187,751
Rendering of services	19,209	8,090
Rental income	–	1,692
Others	259	1,384
	288,673	198,917

There is no rental income recorded as revenue in 2018 as the Group no longer lease out its leasehold properties as part of its principal activities. For rental income received as part of non-principal activities, it is recorded in "Other income".

20. Other income

	Group	
	2018 US$'000	2017 US$'000
Sundry income	213	74
Rental income	266	–
Interest Income	366	269
Gain/(loss) on disposal of property, plant and equipment	39	(190)
Gain on liquidation of a subsidiary	–	81
	884	234

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

21. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 30 June 2018 and 2017 are:

	Group	
	2018 US$'000	2017 US$'000
Current income tax	4,637	2,273
Under/(over) provision in respect of prior years, net	53	(5)
Deferred tax liabilities-origination and reversal of temporary difference (Note 16)	12	62
Income tax expense recognised in income statement	4,702	2,330

Relationship between tax expenses and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate are as follows:

	Group	
	2018 US$'000	2017 US$'000
Profit before tax	22,883	12,948
Tax at domestic rates applicable to individual group entities	4,110	2,528
Non-deductible items	585	198
Under/(over) provision in respect of prior years, net	53	(5)
Effect of partial tax exemption and tax relief	(26)	(53)
Tax rebate	(9)	(18)
Benefits from previously unrecognised tax losses	(30)	(361)
Others	19	41
	4,702	2,330

The Group has tax losses carried forward available for offsetting against future taxable income as follows:

	Group	
	2018 US$'000	2017 US$'000
At beginning of year	5,175	7,393
Amounts issued in current year	5	–
Amounts utilised in current year	(126)	(1,527)
Adjustments to prior year	323	(691)
At end of year	5,377	5,175
Unrecognised deferred tax benefit on above	1,302	1,254

These future income tax benefits are available for offset against future assessable income of the companies in which the tax benefits arose, subject to the conditions for deductibility imposed by the tax legislation of their respective countries of incorporation, including the retention of majority shareholders as defined are complied with. Deferred tax asset is not recognised due to uncertainty of its realisation. The tax losses have no expiry date except for an amount of US$1,143,000 which will be expired within the next five years (2017: US$1,120,000).

NOTES TO THE
FINANCIAL STATEMENTS
For the financial year ended 30 June 2018

22. Profit before tax

Profit before tax for the financial year has been arrived at after charging the following items:

	Group	
	2018 US$'000	2017 US$'000
Directors' remuneration (excluding directors' fees)	2,330	1,289
Salaries and bonuses (excluding directors' remuneration)	27,184	21,241
Cost of defined contribution plan	3,046	2,410
Total audit and non-audit fees	150	157
Audit fees:		
– Auditor of the Company	95	87
– Other auditor	27	30
Non-audit fees:		
– Auditor of the Company	–	–
– Other auditor	28	40

23. Earnings per share

Basic and fully diluted earnings per share attributable to the ordinary equity holders of the Company is computed by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year:

	Group	
	2018	2017
Earnings (US$'000):		
Profit attributable to equity holders of the Company	18,181	10,626
Number of shares ('000):		
Average number of ordinary shares	199,099	199,099
Earnings per share (US cents)	9.13	5.34

Basic earnings per share is the same as fully diluted earnings per share as the Group does not have any potential dilutive ordinary shares outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

24. Dividends

	Group and company	
	2018 US$'000	2017 US$'000
Declared and paid during the financial year:		
Final and final special tax exempt (one-tier) dividends for 2017: S$0.03 and S$0.005 (2016: S$0.03 and S$Nil) per share, respectively	5,121	4,291
Special interim tax exempt (one-tier) dividend for 2018: S$Nil (2017: S$0.025) per share, respectively	–	3,550
	5,121	7,841
Proposed but not recognised as a liability as at 30 June:		
Final and special tax exempt (one-tier) dividends for 2018: S$0.03 and S$0.02 (2017: S$0.03 and S$0.005) per share, respectively	7,299	5,061

25. Lease commitments

(a) ***The Group and the Company as lessee***

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Minimum lease payments under operating leases recognised as an expense in the year, excluding amortisation of prepaid lease payments	485	1,116	131	143

At the end of the reporting period, the commitments in respect of non-cancellable operating leases for the rental of factory spaces, office premises, residential premises and land are as follows:

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Not later than one year	463	455	126	128
Later than one year but not later than five years	1,061	1,232	503	514
Later than five years	3,751	3,964	3,750	3,964
	5,275	5,651	4,379	4,606

The operating lease commitment of the Company mainly relate to the lease agreements for the land use rights with a statutory board.

(b) ***The Group and the Company as lessor***

The Group has entered into commercial property leases on its factory spaces and office premises.

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Rental income for the year included in profit or loss	266	1,692	282	242

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

25. Lease commitments (cont'd)

(b) ***The Group and the Company as lessor*** (cont'd)

At the end of the reporting period, the Group has contracted (non-cancellable) with tenants for the following future minimum lease receipts:

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Not later than one year	153	247	214	262
Later than one year but not later than five years	240	52	363	52
	393	299	577	314

26. Segment information

Business segment

For management purposes, the operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Management has assessed that there is only one reportable segment for the Group which is electronics manufacturing services.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
United States of America	178,531	106,951	1	1
Republic of Ireland	54,063	35,191	–	–
People's Republic of China	18,786	17,090	2,275	1,511
Singapore	15,073	19,225	22,415	21,406
Germany	8,020	7,131	–	–
ASEAN (excluding Singapore)	2,245	3,103	3,831	4,402
Others	11,955	10,226	–	–
	288,673	198,917	28,522	27,320

Information about major customers

In relation to the electronics manufacturing services revenue of US$288,673,000 (2017: US$196,802,000), sales of goods to three major customers contributed a total revenue of approximately US$125,437,000 (2017: US$72,530,000) during the financial year.

27. Authorisation of financial statements for issue

The financial statements for the financial year ended 30 June 2018 were approved and authorised for issue by the board of directors on 29 August 2018.

STATISTICS OF
SHAREHOLDINGS
As at 6 September 2018

Share Capital

Total Number of Issued Shares	:	199,099,000
Issued and Fully Paid-up Capital	:	S$75,031,320
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share
Number/Percentage of Treasury Shares	:	0 (0%)
Number/Percentage of Subsidiary Holdings	:	0 (0%)

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	5	0.20	112	0.00
100 – 1,000	288	11.34	276,232	0.14
1,001 – 10,000	1,641	64.63	8,528,750	4.28
10,001 – 1,000,000	603	23.75	31,899,600	16.02
1,000,001 and above	2	0.08	158,394,306	79.56
Total	**2,539**	**100.00**	**199,099,000**	**100.00**

Twenty Largest Shareholders

No.	Name of Shareholder	No. of Shares	%
1	DBS Nominees Pte Ltd	156,497,506	78.60
2	United Overseas Bank Nominees Pte Ltd	1,896,800	0.95
3	Raffles Nominees (Pte) Ltd	940,400	0.47
4	Teo Guat Yau	800,000	0.40
5	Teo Geok Kiow	700,000	0.35
6	OCBC Nominees Singapore Pte Ltd	678,400	0.34
7	Wee Hian Kok	528,000	0.27
8	Koh Nguang Siah	527,500	0.26
9	Lee Keng Poh	522,400	0.26
10	Tan Peng Kim	512,000	0.26
11	Lim Ching Tiew	500,000	0.25
12	Citibank Nominees Singapore Pte Ltd	480,300	0.24
13	Chia Chee Kong	460,000	0.23
14	Ong Tong Yang @Wong Tong Yang	420,000	0.21
15	Tan Siew Hwa	385,000	0.19
16	Phillip Securities Pte Ltd	362,900	0.18
17	Tay Boon Huat	352,600	0.18
18	Ho Mun Cheng	320,000	0.16
19	UOB Kay Hian Pte Ltd	315,000	0.16
20	DBS Vickers Securities (Singapore) Pte Ltd	278,000	0.14
	Total	**167,476,806**	**84.10**

STATISTICS OF SHAREHOLDINGS

As at 6 September 2018

Substantial Shareholders

Name of Shareholder	Direct Interest No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %
Chuan Hup Holdings Limited	152,701,506[a]	76.70	–	–
3P Pte Ltd	–	–	152,701,506[b]	76.70
Qing Shan Pte Ltd	–	–	152,701,506[b]	76.70
TMF Trustees Singapore Limited	–	–	152,701,506[b]	76.70
Mr Peh Kwee Chim	–	–	152,701,506[c]	76.70
Mr Peh Siong Woon Terence	–	–	152,701,506[d]	76.70
Beamsbury Limited	–	–	152,701,506[e]	76.70

Notes:

(a) Held in the name of its nominee, DBS Nominees Pte Ltd.

(b) 3P Pte Ltd is the owner of 51.52% of the issued share capital of Chuan Hup Holdings Limited. 3P Pte Ltd is a wholly-owned subsidiary of Qing Shan Pte Ltd, which is in turn entirely held by TMF Trustees Singapore Limited as trustee of a trust constituted by Mr Peh Kwee Chim ("Trust"). Therefore, 3P Pte Ltd, Qing Shan Pte Ltd and TMF Trustees Singapore Limited are each deemed pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and Section 7 of the Companies Act. Chapter 50 of Singapore (the "CA"), to have an interest in the 152,701,506 shares of the Company held by Chuan Hup Holdings Limited.

(c) Mr Peh Kwee Chim is a director of 3P Pte Ltd and is also the settlor of the Trust, and is therefore deemed, pursuant to Section 4 of the SFA and Section 7 of the CA, to have an interest in the 152,701,506 shares of the Company held by Chuan Hup Holdings Limited.

(d) Mr Peh Siong Woon Terence is a director of 3P Pte Ltd and is also the beneficiary of the Trust, and is therefore deemed, pursuant to Section 4 of the SFA and Section 7 of the CA, to have an interest in the 152,701,506 shares of the Company held by Chuan Hup Holdings Limited.

(e) Beamsbury Limited, the nominee corporate director of TMF Trustees Singapore Limited and sole director of Qing Shan Pte Ltd, manages, controls the operations of and determines the policy with respect to Qing Shan Pte Ltd.

Shareholdings held by Public

Based on information available to the Company as at 6 September 2018, approximately 23.18% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING
AND CLOSURE OF BOOKS

PCI LIMITED
(Incorporated in the Republic of Singapore)
(Co. Reg. No. 198804482N)

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting of PCI Limited (the "Company") will be held at the Multi-Purpose Room, 2nd Floor, 35 Pioneer Road North, Singapore 628475 on Thursday, 18 October 2018 at 10.30 a.m. to transact the following business:

(A) ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2018 and the Auditor's Report thereon. — Ordinary Resolution 1

2. To declare a final tax exempt one-tier dividend of 3 SG cents per ordinary share and a special tax exempt one-tier dividend of 2 SG cents per ordinary share for the financial year ended 30 June 2018. — Ordinary Resolution 2

3. To re-elect Mdm Joanna Young Sau Kwan who retires under Regulation 120 of the Company's Constitution and who, being eligible, offers herself for re-election. — Ordinary Resolution 3

4. To re-elect Mr Eldon Wan who retires under Regulation 120 of the Company's Constitution and who, being eligible, offers himself for re-election. — Ordinary Resolution 4

5. To re-elect Mr Ho Soo Ching who retires by rotation under Regulation 110 of the Company's Constitution and who, being eligible, offers himself for re-election. — Ordinary Resolution 5

6. To re-elect Mr Lo Pang Foo Steven who retires by rotation under Regulation 110 of the Company's Constitution and who, being eligible, offers himself for re-election. — Ordinary Resolution 6

7. To note that Mr Loh Kee Kong will be retiring under Regulation 110 of the Company's Constitution and he will not be seeking re-election at this Annual General Meeting.

8. To approve the sum of SGD166,700 to be paid to Non-Executive Directors as Directors' fees for the financial year ended 30 June 2018 (FY2017: SGD134,000). — Ordinary Resolution 7

9. To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. — Ordinary Resolution 8

(B) SPECIAL BUSINESS:

10. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution: — Ordinary Resolution 9

    That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, authority be and is hereby given to the Directors of the Company to:

    (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

    (ii) 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 for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING
AND CLOSURE OF BOOKS

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of shares;

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST ("Listing Manual");

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall 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 the earlier.

11. To transact such other business which can be transacted at the Annual General Meeting of the Company. Ordinary Resolution 10

NOTICE OF ANNUAL GENERAL MEETING
AND CLOSURE OF BOOKS

NOTICE IS ALSO HEREBY GIVEN that, subject to the approval of shareholders for the final and special dividends being obtained at the Twenty-Ninth Annual General Meeting to be held on 18 October 2018, the Transfer Books and the Register of Members of the Company will be closed on 30 October 2018 for the preparation of dividend warrants.

Duly completed transfers in respect of ordinary shares of the Company received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00, Singapore 068898, up to 5.00 p.m. on 29 October 2018, will be registered to determine shareholders' entitlements to the proposed final and special dividends. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 29 October 2018, will be entitled to the proposed final and special dividends.

The final and special dividends, if approved by shareholders at this Annual General Meeting, will be paid on 7 November 2018.

By Order of the Board

Valerie Tan May Wei
Company Secretary
1 October 2018

Explanatory Notes

1. In relation to Ordinary Resolution 3, Mdm Joanna Young Sau Kwan is considered an independent director. Please refer to the section on Board of Directors in the Annual Report for further details on Mdm Young.

2. In relation to Ordinary Resolution 4, Mr Eldon Wan is considered a non-independent director. Please refer to the section on Board of Directors in the Annual Report for further details on Mr Wan.

3. In relation to Ordinary Resolution 5, Mr Ho Soo Ching, will upon re-election, continue to serve as the Lead Independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. Mr Ho is considered an independent director. Please refer to the section on Board of Directors in the Annual Report for further details on Mr Ho.

4. In relation to Ordinary Resolution 6, Mr Lo Pang Foo Steven, will upon re-election, continue to serve as the Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee. Mr Lo is considered an independent director. Please refer to the section on Board of Directors in the Annual Report for further details on Mr Lo.

5. Item 7 above is to note the retirement of Mr Loh Kee Kong who will be retiring by rotation under Regulation 110 of the Company's Constitution and not seeking re-election. Accordingly, he will step down as a member of the Audit and Remuneration Committees.

6. **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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) to comply with any applicable laws, listing rules, take-over 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 or service providers), 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 or service providers) 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.

Kindly note that by attending the Annual General Meeting, the members of the Company, their proxy(ies) and/or representative(s) consent to the video-recording of the proceedings of the Annual General Meeting, for the Company's records.

PCI LIMITED
(Incorporated in the Republic of Singapore)
(Co. Reg. No. 198804482N)

ANNUAL GENERAL MEETING

PROXY FORM

IMPORTANT:
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the capital of PCI Limited ("Shares"), the Annual Report 2018 is forwarded to them at the request of their CPF Agent Banks/SRS Operators and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. A CPF/SRS investor who wishes to attend the Annual General Meeting as proxy has to submit his request to his CPF Agent Bank/SRS Operator so that his CPF Agent Bank/SRS Operator may appoint him as its proxy within the specified time frame. (CPF Agent Banks/SRS Operators: Please refer to Notes 2(b) and 4 on the reverse side of this form on the required details).

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 1 October 2018.

I/We ____ (Name) _____________________ (NRIC/Passport No./Co. Reg. No.)

of ____ (Address)

being a member/members of PCI Limited (the "Company") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings (Ordinary Shares)	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings (Ordinary Shares)	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Twenty-Ninth Annual General Meeting of the Company ("Annual General Meeting") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting to be held at the Multi-Purpose Room, 2nd Floor, 35 Pioneer Road North, Singapore 628475 on Thursday, 18 October 2018 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Annual General Meeting and at any adjournment thereof.

ORDINARY BUSINESS

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1.	Adoption of Directors' Statement and Audited Financial Statements and Auditor's Report		
2.	Declaration of Final and Special Dividends		
3.	Re-election of Mdm Joanna Young Sau Kwan as Director		
4.	Re-election of Mr Eldon Wan as Director		
5.	Re-election of Mr Ho Soo Ching as Director		
6.	Re-election of Mr Lo Pang Foo Steven as Director		
7.	Approval of Directors' Fees		
8.	Re-appointment of Ernst & Young LLP as Auditor		

SPECIAL BUSINESS

No.	Ordinary Resolution	No. of Votes For*	No. of Votes Against*
9.	Issue of additional shares and convertible instruments		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick ["✓"] within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of Shares in the boxes provided.

Dated this ______ day of __________________________ 2018

Total Number of Shares held:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) or Common Seal of Member(s)

IMPORTANT: Please read notes on the reverse side

3rd fold this flap to seal

Please
Affix
Postage
Stamp

The Company Secretary
PCI LIMITED
35 Pioneer Road North
Singapore 628475

1st fold here

Notes:

1. Please insert the total number of Shares held by you. If you only have Shares entered against your name in the Depository Register (as defined in Part IIIAA of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you only have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register as well as Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the proxy form shall be deemed to relate to all the Shares held by you (in both the Register of Members and the Depository Register).

2. (a) A member of the Company entitled to attend and vote at a meeting of the Company, and who is not a Relevant Intermediary, is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company. Where a member of the Company appoints two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named proxy.

   (b) A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at a meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where more than one proxy is appointed, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of Shares, class of Shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank/SRS Operator who intends to appoint CPF/SRS investors as its proxies shall comply with this Note.

   (c) "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

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3. Completion and return of the proxy form shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies will be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the proxy form, to the meeting.

4. The proxy form must be deposited at the registered office of the Company at 35 Pioneer Road North, Singapore 628475 not less than 72 hours before the time appointed for the Annual General Meeting.

5. The proxy form appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the proxy form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised in writing. Where a proxy form is signed on behalf of the appointor by an attorney, the power of attorney or other authority or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the proxy form, failing which the proxy form may be treated as invalid.

6. A corporation which is a member of the Company may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The Company shall be entitled to reject the proxy form appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy form (including any related attachment) appointing a proxy or proxies. In addition, in the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any proxy form lodged if such members are not shown to have Shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

PCI Limited
(Co. Reg. No. 198804482N)

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