

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE (“2Q”) 2018

*This announcement has been prepared by United Global Limited (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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Background

United Global Limited (together with its subsidiaries, the “**Group**”) was listed on Catalist of the SGX-ST on 8 July 2016. The Group is an established independent lubricant manufacturer and trader providing a wide range of high quality, well-engineered lubricants under its in-house brands such as “United Oil” as well as manufacturing lubricants for third-party principals’ brands. The Group’s other core business is in the trading of base oils, additives and lubricants. The Group supplies lubricant products globally to over 30 countries and it mainly serves the automotive, industrial and marine sectors.

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

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group			Group			Ref
	Three months ended	Three months ended	Increase/	Six months ended	Six months ended	Increase/	
	Unaudited	Unaudited	(Decrease)	Unaudited	Unaudited	(Decrease)	
	2Q2018	2Q2017	(Decrease)	6M2018	6M2017	(Decrease)	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%	
Revenue	24,529	26,053	(5.8%)	55,501	45,815	21.1%	8.1.1
Cost of sales	(20,548)	(21,749)	(5.5%)	(45,667)	(37,948)	20.3%	8.1.2
Gross profit	3,981	4,304	(7.5%)	9,834	7,867	25.0%	8.1.2
Other income	75	23	NM	158	172	(8.1%)	8.1.3
Distribution cost	(662)	(556)	19.1%	(1,494)	(1,040)	43.7%	8.1.4
Administrative expenses	(2,215)	(1,383)	60.2%	(4,388)	(2,567)	70.9%	8.1.5
Other expenses	(21)	-	NM	(42)	-	NM	8.1.6
Share of (loss)/profit of joint ventures	(6)	7	NM	1	5	(80.0%)	
Finance costs	(69)	(37)	86.5%	(143)	(72)	98.6%	8.1.7
Profit before tax	1,083	2,358	(54.1%)	3,926	4,365	(10.1%)	8.1.8
Income tax expense	(185)	(394)	(53.0%)	(762)	(726)	5.0%	8.1.9
Profit for the period	898	1,964	(54.3%)	3,164	3,639	(13.1%)	
Profit attributable to:							
Equity holders of the Company	911	1,964	(53.6%)	3,138	3,639	(13.8%)	
Non-controlling interests	(13)	-	NM	26	-	NM	
	898	1,964	(54.3%)	3,164	3,639	(13.1%)	
Profit for the period	898	1,964	(54.3%)	3,164	3,639	(13.1%)	
<i>Other comprehensive loss:</i>							
Currency translation differences arising from consolidation	(769)	-	NM	(1,035)	-	NM	
Total comprehensive profit for the period	129	1,964	(93.4%)	2,129	3,639	(41.5%)	
Total comprehensive income attributable to:							
Equity holders of the Company	181	1,964	(90.8%)	2,155	3,639	(40.8%)	
Non-controlling interests	(52)	-	NM	(26)	-	NM	
	129	1,964	(93.4%)	2,129	3,639	(41.5%)	

NM : Not meaningful

1(a)(ii) Profit before tax is arrived after charging / (crediting) the following:

	Group			Group		
	Three months ended (Unaudited)			Six months ended (Unaudited)		
	2Q2018 US\$'000	2Q2017 US\$'000	Change %	6M2018 US\$'000	6M2017 US\$'000	Change %
Charging / (crediting):-						
Depreciation of property, plant and equipment	142	43	NM	301	105	NM
Depreciation of investment properties	21	-	NM	42	-	NM
Amortisation of customer relationships	26	-	NM	53	-	NM
Foreign exchanges loss/(gain), net	400	(196)	NM	649	(118)	NM
Loss/(gain) on disposal of property, plant and equipment	-	-	NM	2	(3)	NM
Interest income	(15)	(15)	(4.2%)	(34)	(26)	30.8%
Interest on borrowings	69	37	85.5%	143	72	98.6%

NM : Not meaningful

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Group		Ref	Company	
	Unaudited 30.06.2018 US\$'000	Audited 31.12.2017 US\$'000		Unaudited 30.06.2018 US\$'000	Audited 31.12.2017 US\$'000
ASSETS					
Current assets					
Cash and bank balances	5,389	10,555		73	62
Trade receivables	17,180	19,064		-	-
Other receivables	1,785	825		9,461	10,181
Inventories	17,150	13,064		-	-
Total current assets	41,504	43,508	8.2.1	9,534	10,243
Non-current assets					
Other receivable	3,000	2,000		-	-
Property, plant and equipment	10,254	8,135		284	296
Investment properties	2,018	1,936		-	-
Intangible assets	705	758		-	-
Investment in subsidiaries	-	-		13,841	13,831
Investment in joint ventures	302	179		-	-
Deferred tax assets	133	159		-	-
Total non-current assets	16,412	13,167	8.2.2	14,125	14,127
TOTAL ASSETS	57,916	56,675		23,659	24,370
EQUITY AND LIABILITIES					
Current liabilities					
Bank borrowings	8,347	8,930		-	-
Finance leases	45	57		29	32
Trade payables	5,778	6,659		-	-
Other payables	5,395	2,905		655	778
Amount due to director	2,240	2,240		-	-
Current tax payable	1,166	1,387		47	161
Total current liabilities	22,971	22,178	8.2.3	731	971
Non-current liabilities					
Bank borrowings	19	21		-	-
Finance leases	132	152		132	148
Retirement benefits obligations	449	437		-	-
Deferred tax liabilities	235	230		9	9
Total non-current liabilities	835	840	8.2.4	141	157
Equity					
Share capital	21,425	21,425		21,425	21,425
Reserves	(4,396)	(3,413)		-	-
Retained earnings	16,220	14,758		1,362	1,817
Equity attributable to owners of the Company	33,249	32,770		22,787	23,242
Non-controlling interests	861	887		-	-
Total equity	34,110	33,657	8.2.5	22,787	23,242
TOTAL EQUITY AND LIABILITIES	57,916	56,675		23,659	24,370

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debts securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

	Group	
	As at 30.06.2018	As at 31.12.2017
	US\$'000	US\$'000
- Total borrowings		
Amount repayable in one year or less, or on demand (secured and guaranteed)	8,392	8,987
Amount repayable after one year (secured and guaranteed)	151	173
Total	8,543	9,160

The Group does not have any unsecured borrowings and debt securities as at 31 December 2017 and 30 June 2018.

Details of any collaterals:

The Group's borrowings as at 30 June 2018 comprise of bank loans and revolving credits, trade bills and finance leases.

Borrowings of US\$8.5 million as at 30 June 2018 (31 December 2017: US\$9.2 million) obtained by subsidiaries is secured by one or several of (i) fixed deposits of US\$1.4 million (31 December 2017: US\$1.4 million) and (ii) mortgage over leasehold properties located at Singapore and Indonesia.

Finance lease facilities are secured against the respective motor vehicles.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Group		Group	
	Unaudited 2Q2018 US\$'000	Unaudited 2Q2017 US\$'000	Unaudited 6M2018 US\$'000	Unaudited 6M2017 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	1,083	2,358	3,926	4,365
Adjustments for:				
Share of loss/(profit) of joint ventures	6	(7)	(1)	(5)
Depreciation of property, plant and equipment	142	43	301	105
Loss/(gain) on disposal of property, plant and equipment	-	-	2	(3)
Depreciation of investment properties	21	-	42	-
Amortisation of intangible assets	26	-	53	-
Interest expense	69	37	143	72
Interest income	(15)	(15)	(34)	(26)
Operating cash flows before movements in working capital	1,332	2,416	4,432	4,508
Trade receivables	1,852	(5,637)	1,884	(4,363)
Other receivables	148	99	(390)	90
Trade payables	(2,510)	(356)	(881)	(2,815)
Other payables	(30)	(132)	(104)	(457)
Inventories	(3,630)	(457)	(4,086)	(1,027)
Cash (used in)/generated from operations	(2,838)	(4,067)	855	(4,064)
Income tax paid	(1,113)	(455)	(1,479)	(700)
Interest received	15	15	34	26
Interest paid	(69)	(37)	(143)	(72)
Net cash used in operating activities	(4,005)	(4,544)	(733)	(4,810)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	-	(1)	-	(14)
Purchase of property, plant and equipment	(351)	(112)	(539)	(161)
Acquisition on investment in joint venture	(26)	-	(123)	-
Advances to joint venture	-	-	(1,000)	-
Net cash used in investing activities	(377)	(113)	(1,662)	(175)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bank borrowings	12,302	10,377	19,450	18,546
Repayment of bank borrowings	(10,961)	(5,063)	(20,035)	(14,784)
Repayments of obligation under finance leases	(22)	-	(32)	-
(Increase)/decrease in pledged fixed deposits	(6)	(6)	(6)	619
Dividend paid	(1,676)	(1,013)	(1,676)	(1,013)
Net cash (used in)/from financing activities	(363)	4,295	(2,299)	3,368

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

	Group		Group	
	Unaudited 2Q2018 US\$'000	Unaudited 2Q2017 US\$'000	Unaudited 6M2018 US\$'000	Unaudited 6M2017 US\$'000
Net decrease in cash and cash equivalents	(4,745)	(362)	(4,694)	(1,617)
Effect of exchange rate changes on cash and cash equivalents	(225)	-	(478)	-
Cash and cash equivalents at beginning of period	8,916	10,973	9,118	12,228
Cash and cash equivalents at end of period	3,946	10,611	3,946	10,611
Consolidated cash and cash equivalents are represented by:				
Cash and bank balances	3,877	10,611	3,877	10,611
Fixed deposits	1,512	1,428	1,512	1,428
	5,389	12,039	5,389	12,039
Less: Restricted cash (pledged fixed deposits)	(1,443)	(1,428)	(1,443)	(1,428)
Cash and cash equivalents per consolidated statements of cash flows	3,946	10,611	3,946	10,611

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<u>Group</u>	Share capital	Merger reserve	Pension reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2017	13,233	(3,156)	-	-	7,760	17,837	-	17,837
Profit for the period, representing total comprehensive income for the period	-	-	-	-	1,676	1,676	-	1,676
Balance at 31 March 2017	13,233	(3,156)	-	-	9,436	19,513	-	19,513
Profit for the period, representing total comprehensive income for the period	-	-	-	-	1,964	1,964	-	1,964
<i>-Transaction with owners, recognised directly in equity:</i>								
Dividends paid to owners of the Company	-	-	-	-	(1,013)	(1,013)	-	(1,013)
Balance at 30 June 2017	13,233	(3,156)	-	-	10,387	20,464	-	20,464

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

Group	Share capital	Merger reserve	Pension reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2018	21,425	(3,156)	7	(264)	14,758	32,770	887	33,657
Profit for the period	-	-	-	-	2,227	2,227	39	2,266
Other comprehensive loss	-	-	-	(253)	-	(253)	(13)	(266)
Total comprehensive (loss)/income for the period	-	-	-	(253)	2,227	1,974	26	2,000
Balance at 31 March 2018	21,425	(3,156)	7	(517)	16,985	34,744	913	35,657
Profit for the period	-	-	-	-	911	911	(13)	898
Other comprehensive loss	-	-	-	(730)	-	(730)	(39)	(769)
Total comprehensive (loss)/income for the period	-	-	-	(730)	911	181	(52)	129
<i>-Transaction with owners, recognised directly in equity:</i>								
Dividends paid to owners of the Company	-	-	-	-	(1,676)	(1,676)	-	(1,676)
Balance at 30 June 2018	21,425	(3,156)	7	(1,247)	16,220	33,249	861	34,110

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Share capital	Merger reserve	Pension reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Company								
Balance at 1 January 2017	13,233	-	-	-	1,278	14,511	-	14,511
Profit for the period, representing total comprehensive income for the period	-	-	-	-	226	226	-	226
Balance at 31 March 2017	13,233	-	-	-	1,504	14,737	-	14,737
Profit for the period, representing total comprehensive income for the period	-	-	-	-	735	735	-	735
Dividends paid to owners of the Company	-	-	-	-	(1,013)	(1,013)	-	(1,013)
Balance at 30 June 2017	13,233	-	-	-	1,226	14,459	-	14,459
Balance at 1 January 2018	21,425	-	-	-	1,817	23,242	-	23,242
Profit for the period, representing total comprehensive income for the period	-	-	-	-	174	174	-	174
Balance at 31 March 2018	21,425	-	-	-	1,991	23,416	-	23,416
Profit for the period, representing total comprehensive income for the period	-	-	-	-	1,047	1,047	-	1,047
Dividends paid to owners of the Company	-	-	-	-	(1,676)	(1,676)	-	(1,676)
Balance at 30 June 2018	21,425	-	-	-	1,362	22,787	-	22,787

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

During the six months ended 30 June 2018, there has been no change in the issued and paid-up share capital of the Company. There are also no outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company had on 14 June 2016 adopted the United Global Performance Share Plan ("PSP"). The Company has not granted any awards under the PSP as at the date of this announcement.

Save as disclosed above, the Company did not have any outstanding options, convertibles, treasury shares or subsidiary holdings as at 30 June 2018 and 30 June 2017.

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

The total number of issued ordinary shares (excluding treasury shares) as at 30 June 2018 was 316,211,360 (as at 31 December 2017: 316,211,360).

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

Not applicable. The Company did not have any treasury shares during the period ended and as at 30 June 2018.

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

Not applicable. The Company did not have any subsidiary holdings during the period ended and as at 30 June 2018.

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

The figures have not been audited nor reviewed by the Company's auditors.

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

Not applicable.

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

Except as disclosed in item 5 below, the accounting policies and methods of computation applied by the Group are consistent with those used in its most recently audited financial statements for the financial year ended 31 December 2017.

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

On 1 January 2018, the Group has adopted all the new and revised Singapore Financial Reporting Standards ("**FRS**") and the Interpretations of Financial Reporting Standards ("**Interpretations FRS**") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and Interpretations FRS does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

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

The basic and diluted earnings per share are the same as there were no potentially dilutive ordinary shares in issue as at 30 June 2018 and 30 June 2017.

	Group			
	2Q2018	2Q2017	6M2018	6M2017
Earnings per ordinary share for the financial period:-				
(i) Based on weighted average number of ordinary shares in issue (US\$ cents)	0.3 cents	0.7 cents	1.0 cents	1.3 cents
(ii) On fully diluted basis (US\$ cents)	0.3 cents	0.7 cents	1.0 cents	1.3 cents
Weighted average number of shares (in '000)	316,211	282,812	316,211	282,812

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**
(a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

	Group		Company	
	As at 30.06.2018	As at 31.12.2017	As at 30.06.2018	As at 31.12.2017
Net asset value (US\$'000)	33,249	32,770	22,787	23,242
Number of ordinary share in issue (in '000)	316,211	316,211	316,211	316,211
Net asset value per ordinary share (US\$ cents)	10.5 cents	10.4 cents	7.2 cents	7.4 cents

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

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Group's Performance

8.1.1 Revenue

<u>Revenue</u>	2Q2018 US\$'000	2Q2017 US\$'000	Q-Q	6M2018 US\$'000	6M2017 US\$'000	Y-Y
			Change Increase/ (Decrease) %			Change Increase/ (Decrease) %
Manufacturing	24,112	13,562	77.8	54,360	27,008	101.3
Trading	417	12,491	(96.7)	1,141	18,807	(93.9)
Group	24,529	26,053	(5.8)	55,501	45,815	21.1

For the 6M2018, the revenue increased by US\$9.7 million or 21.1%, from US\$45.8 million for 6M2017 to US\$55.5 million for 6M2018. The Group recorded a 6-months contribution from PT Pacific Lubritama Indonesia ("PLI") which was acquired by the Group on 20 July 2017. The revenue contribution from PLI are all recorded under the manufacturing business segment.

Prior to the acquisition of PLI, the Group had sold raw materials (categorised under the trading business segment) and certain finished products with minimal volume (categorised under the manufacturing business segment) to PLI. The consolidation of PLI's accounts since July 2017 eliminates the inter-group cross selling, thereby reducing both the revenue and sales volume (particularly under the trading business segment) from the Group's existing business in Singapore.

Review of Group's Performance (continued)

For 2Q2018, revenue decreased by US\$1.5 million or 5.8%, from US\$26.0 million in 2Q2017 to US\$24.5 million in 2Q2018. This was due to a decrease in revenue from the trading business segment of US\$12.0 million or 96.7%. The decrease was partially offset by an increase in revenue from the manufacturing business segment of US\$10.5 million or 77.8%.

Manufacturing

For 2Q2018, revenue from our manufacturing business segment increased mainly due to an increase in sales volume and partially offset with the decrease in average selling price. The higher sales volume was contributed by PLI of Indonesia and also in our Singapore plant. The decrease in average selling price from our manufacturing business segment in 2Q2018 was mainly due to the lower average selling price of PLI, as PLI has different product mix compared to our Singapore plant.

Trading

The drop in revenue from the trading business segment was mainly due to decrease in sales volume as a result of elimination of the inter-group base oil and additives cross selling from our Singapore plant to PLI, subsequent to the consolidation of PLI's accounts.

8.1.2 *Cost of Sales and Gross Profit*

<u>Gross profit</u>	2Q2018	2Q2017	Q-Q	6M2018	6M2017	Y-Y
	US\$'000	US\$'000	Change	US\$'000	US\$'000	Change
			Increase/ (Decrease)			Increase/ (Decrease)
			%			%
Manufacturing	3,950	3,321	18.9	9,727	6,640	46.5
Trading	31	983	(96.8)	107	1,227	(91.3)
Group	3,981	4,304	(7.5)	9,834	7,867	25.0

<u>Gross profit margin</u>	2Q2018	2Q2017	6M2018	6M2017
	US\$'000	US\$'000	US\$'000	US\$'000
Manufacturing	16.4	24.5	17.9	24.6
Trading	7.4	7.9	9.4	6.5
Group	16.2	16.5	17.7	17.2

Cost of sales decreased by US\$1.2 million or 5.5%, from US\$21.7 million in 2Q2017 to US\$20.5 million in 2Q2018. This was mainly due to a decrease in the cost of raw materials which is in line with the decrease in revenue in our manufacturing business segment.

Our overall gross profit decreased by US\$0.3 million or 7.5%, from US\$4.3 million in 2Q2017 to US\$4.0 million in 2Q2018.

Our overall gross profit margins decreased by 0.3 percentage point, from 16.5% in 2Q2017 to 16.2% in 2Q2018 due mainly to decrease in gross profit margin from our manufacturing business segment. The Group recorded a 8.1 percentage point decrease in gross profit margin in our manufacturing business segment, from 24.5% in 2Q2017 to 16.4% in 2Q2018, mainly due to different product mix, more competitive pricing and higher raw materials cost in 2Q2018.

8.1.3 Other Income

Other income increased by US\$52,000 or 226.1%, from approximately US\$23,000 in 2Q2017 to approximately US\$75,000 in 2Q2018, mainly due to PLI's 3-months other income which comprises mainly property rental income from investment properties.

8.1.4 Distribution Cost

Our distribution cost increased by US\$0.1 million or 19.1%, from US\$0.6 million in 2Q2017 to US\$0.7 million in 2Q2018, mainly due to the inclusion of PLI's 3-months distribution cost.

8.1.5 Administrative Expenses

Our administrative expenses increased by US\$0.8 million or 60.2%, from US\$1.4 million in 2Q2017 to US\$2.2 million in 2Q2018, mainly due to inclusion of PLI's 3-months administrative expenses, higher staff payroll costs of the Group, and foreign exchange loss in 2Q2018 that arose from translation differences on the United States Dollars denominated liabilities, being mainly trade and other payables, to the functional currency of each group entity.

8.1.6 Other Expenses

Other expenses in current period comprise of depreciation of investment properties held by PLI.

8.1.7 Finance Costs

Our finance costs increased by approximately US\$32,000 or 86.5%, from US\$37,000 in 2Q2017 to US\$69,000 in 2Q2018 mainly due to higher borrowing costs and higher borrowings for working capital.

8.1.8 Profit before Tax ("PBT")

Our PBT decreased by US\$1.3 million or 54.1%, from US\$2.4 million in 2Q2017 to US\$1.1 million in 2Q2018. This was mainly due to decreases in gross profit, higher distribution cost and administrative expenses.

8.1.9 Income Tax Expenses

Income tax expenses decreased by US\$0.2 million or 53.0%, from US\$0.4 million in 2Q2017 to US\$0.2 million in 2Q2018. This was mainly due to lower PBT in 2Q2018.

Review of Statements of Financial Position

8.2.1 Current Assets

Current assets comprise of cash and bank balances, trade receivables, other receivables and inventories.

As at 30 June 2018, current assets amounted to US\$41.5 million or 71.7% of our total assets. Trade receivables was the largest component of our current assets, accounting for US\$17.2 million or 41.4% of our current assets. Inventories accounted for US\$17.2 million or 41.3% of our current assets and comprised raw materials, finished products and work-in-progress. Cash and bank balances accounted for US\$5.4 million or 13.0% of our current assets. The remaining balance of current assets comprised other receivables of US\$1.8 million.

Current assets decreased by US\$2.0 million from US\$43.5 million as at 31 December 2017 to US\$41.5 million as at 30 June 2018. The decrease was mainly due to a decrease in (i) cash and cash equivalents of US\$5.2 million; and (ii) trade receivables of US\$1.9 million due to lower revenue in 2Q2018. The decrease was partially offset by an increase in inventories of US\$4.1 million due to higher storage of raw materials.

8.2.2 Non-Current Assets

Non-current assets comprise of property, plant and equipment, investment properties, intangible assets, investment in joint ventures, deferred tax assets and other receivable.

As at 30 June 2018, non-current assets amounted to US\$16.4 million or 28.3% of our total assets.

The other receivable refers to shareholder's loan to joint venture of US\$3.0 million. Property, plant and equipment amounted to US\$10.2 million or 62.4% of our non-current assets, comprising mainly leasehold properties, machinery and equipment, motor vehicles, renovation, and construction-in-progress. The increase in property, plant and equipment was mainly due to addition of machinery and equipment for the oil-absorbing nano fibre business. Investment properties comprise of leasehold buildings and land. Intangible assets comprise of customer relationships and club membership. The remaining balance of non-current assets of US\$0.4 million comprised investment in joint ventures and deferred tax assets.

8.2.3 Current Liabilities

Current liabilities comprise of short-term bank borrowings, finance leases, trade payables, other payables, amount due to director and current tax payable.

As at 30 June 2018, current liabilities amounted to US\$23.0 million or 96.5% of our total liabilities.

Current liabilities increased by US\$0.8 million from US\$22.2 million as at 31 December 2017 to US\$23.0 million as at 30 June 2018. The increase was mainly due to higher other payables owing to our joint venture entity for machines and equipment supplies.

8.2.4 Non-Current Liabilities

Non-current liabilities comprises bank borrowings, finance leases, retirement benefits obligations and deferred tax liabilities, which remains largely unchanged from the balance as at 31 December 2017.

8.2.5 Equity

As at 30 June 2018, equity amounted to US\$34.1 million which comprises of share capital, other reserves, retained earnings and non-controlling interests. The increase of US\$2.0 million in equity was due to recognition of profit for the period, partially offset by the final dividend of US\$1.7 million for the financial year ended 31 December 2017 which was paid during 6M2018.

Review of Statements of Cash Flows

In 2Q2018, net cash from operating activities before changes in working capital amounted to US\$1.3 million while net cash used in working capital amounted to US\$4.2 million. This was mainly due to (i) decrease from trade payable of US\$2.5 million; (ii) increase from inventories of US\$3.6 million; and (iii) decrease from trade receivable of US\$1.9 million. The Group paid income tax of US\$1.1 million in 2Q2018. The net cash used in operating activities amounted to US\$4.0 million in 2Q2018.

Net cash used in investing activities in 2Q2018 was mainly due purchases of plant and equipment of US\$0.3 million.

Net cash used in financing activities of US\$0.4 million in 2Q2018 was mainly due to the repayment of bank borrowings of US\$11.0 million and dividend paid of US\$1.7 million, partially offset by the proceeds from bank borrowings of US\$12.3 million.

The cash and cash equivalents amounted to US\$3.9 million as at 30 June 2018.

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

Not applicable. There was no forecast or prospect statements previously disclosed to shareholders.

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

Our Group's businesses depend on markets and economic conditions in the Asia-Pacific region and the overall market environments are expected to remain difficult. Under this challenging environment, the Group will continue to be diligent and disciplined in controlling the costs as well as manage our raw materials costs.

The Group will continue to explore acquisition and/or joint ventures opportunities whilst remaining cautious in our operational and investment approach and striving to manage our financial resources prudently and efficiently.

Our new nano-fibres oil absorbent joint venture business has completed its trail run at the end of June 2018. The mass production is scheduled to be carried out in the 3rd quarter of this year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

6M2018	
Name of Dividend	Interim Dividend
Dividend Type	Cash
Dividend per share	0.5 Singapore cents per ordinary share
Tax rate	Tax exempt (one-tier)
Total number of issued shares as at the date of this announcement (excluding treasury shares)	316,211,360
Total amount payable	S\$1.6 million (or approximate US\$1.2 million)

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

6M2017	
Name of Dividend	Interim Dividend
Dividend Type	Cash
Dividend per share	0.5 Singapore cents per ordinary share
Tax rate	Tax exempt (one-tier)
Total number of issued shares (excluding treasury shares)	316,211,360
Total amount paid	S\$1.6 million (or approximate US\$1.2 million)

(c) Date payable

The interim dividend of 0.5 Singapore cents per share in respect of the financial period ended 30 June 2018 will be paid on 5 September 2018.

(d) Books closure date

The Share Transfer Books and Register of Members of the Company will be closed on 21 August 2018 for the purpose of determining member's entitlements to the proposed interim dividend. Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 20 August 2018 will be registered to determine member's entitlement to the proposed interim dividend. Members whose securities accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 20 August 2018 will be entitled to the proposed interim dividend. In respect of shares in securities accounts with CDP, the interim dividend will be paid by the Company to CDP which will, in turn, distribute the interim dividend entitlements to such holders in accordance with its normal practice.

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

Not applicable.

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

The Group has not obtained any general mandate from shareholders for interested person transactions at the annual general meeting held on 30 April 2018.

During the 6M2018, interested person transactions exceeding S\$100,000 in aggregate under review are disclosed as follows:

	Aggregate value of all interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' Mandate) (US\$'000)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate (excluding transactions less than S\$100,000) (US\$'000)
<u>Transactions with Edy Wiranto (Non-executive Chairman) and his associates, and companies owned by Edy Wiranto and his associates</u>		
Sales of goods, services and rental income	32	-
Purchases of goods, service and rental cost	86	-

14. Confirmation by the board pursuant to Rule 705(5) of the Catalist Rules

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results for the six-months financial period ended 30 June 2018 to be false or misleading in any material aspect.

15. Confirmation by the directors and executive officers pursuant to Rule 720(1) of the Catalist Rules

The Board of Directors hereby confirms that all required undertakings pursuant to Rule 720(1) of the Catalist Rules have been obtained from its Directors and Executive Officers in the format set out in Appendix 7H of the Catalist Rules.

BY ORDER OF THE BOARD OF DIRECTORS

Tan Thuan Hor, Jacky
Executive Director / Chief Executive Officer

13 August 2018