UNIVERSAL RESOURCE AND SERVICES LIMITED

REMAIN FOCUS
IN CHALLENGING TIMES

ANNUAL REPORT 2015

CONTENTS

COMPANY
PROFILE

Founded in 1995, Universal Resource and Services Limited (URS) has carved a strong reputation as a proven oil services provider in the People's Republic of China ("PRC").

Today, URS offers a wide range of services to the PRC oil industry, including rental of rigs, technical and drilling services. URS also plans to focus on opportunities within the oil & gas and natural resources industries in other geographic regions.

URS's success is built on our technical expertise and strong network of relationships in the PRC oil industry, and is backed by a strong focus on R&D. We have long working relationship with many of the subsidiaries of China National Petroleum Corporation (CNPC), China's largest integrated oil & gas company.

URS's experienced management team is now led by Chief Executive Officer, Ms. Wu Chunlan, who has extensive experience in the PRC oil & gas industry.

URS was listed on the Mainboard of the Singapore Stock Exchange on 10 November 2005.

RESULTS AT A GLANCE

STATEMENTS OF FINANCIAL POSITION

ASSETS	FY2015 S$'000	FY2014 S$'000	
Current assets:			
Cash and bank balances	10,508	19,761	Decrease in bank balances was due to the acquisition of a 2nd drilling machine and associated taxes
Other receivables	66,398	64,638	Mainly pertained to deposit for the proposed acquisition of oil blocks in Indonesia
Total current assets	**76,906**	**84,399**	
Non-current assets:			
Plant and equipment	8,093	75,154	Mainly due to the allowance provided for the drilling equipment leased to the customers who have not returned the leased equipment
Deferred tax asset	-	855	Decrease due to the reversal of over-provided deferred tax assets in prior years
Total non-current assets	**8,093**	**76,009**	
TOTAL ASSETS	**84,999**	**160,408**	
LIABILITIES AND EQUITY			
Current liabilities:			
Other payables	5,012	6,021	
Income tax payable	1	836	The Rental Segment reported operating losses in FY2015 and no provision for income tax
Total current liabilities	**5,013**	**6,857**	
Non-current liability:			
Deferred tax liability	3,002	3,036	
Total non-current liability	**3,002**	**3,036**	
Total liabilities	**8,015**	**9,893**	
Capital and reserves:			
Share capital	68,080	68,080	
Reserves	8,904	79,245	
Equity attributable to equity holders of the Company	**76,984**	**147,325**	
Non-controlling interests	-	3,190	Decrease was mainly due to the disposal of dormant subsidiaries
Total equity	**76,984**	**150,515**	
Total liabilities and equity	**84,999**	**160,408**	

RESULTS AT A GLANCE

CONSOLIDATED INCOME STATEMENT

	FY2015 S$'000	FY2014 S$'000
Continuing operations		
Revenue	11,371	19,742
Cost of services	(7,956)	(12,360)
Gross profit	**3,415**	**7,382**
Other income	412	1,094
Administrative expenses	(2,382)	(2,569)
Impairment losses on trade receivables	(7,187)	-
Impairment losses on plant and equipment	(2,360)	-
Allowance for unreturned equipment	(57,924)	-
Depreciation for temporarily non-revenue generating plant and equipment	(10,767)	-
Profit / (Loss) before income tax from continuing operations	**(76,793)**	**5,907**
Taxation	(726)	(2,326)
Profit / (Loss) from continuing operations, net of tax	**(77,519)**	**3,581**
Loss from discontinued operations, net of tax	(363)	(28)
Profit / (Loss) for the year	**(77,882)**	**3,553**
Profit / (Loss) attributable to:		
Equity holders of the Company	(77,882)	3,554
Non-controlling interests	-	**(1)**
	(77,882)	3,553

Revenue decreased were mainly due to no revenue was recorded under Rental Segment in Q3 and Q4 2015 as a result of the expiry of certain leases as well as collectability was not reasonably assured for the unexpired lease (which was subsequently terminated)

Decreased was due to no gross profit recorded in Q3 and Q4 2015

Impairment losses provided for the trade receivables due from the customers who defaulted on their rental payments

Impairment losses provided for the existing oil-drilling equipment in view of the deteriorated oil & gas business environment

Allowance provided for the equipment leased to the customers who have not returned the leased equipment

The Group did not recognise any revenue in 2H 2015 and no gross profit was recorded, hence related costs associated with the equipment under the Rental Segment were separately accounted for

FY2015 figure was pertaining to an overprovision of deferred tax assets in prior years

Loss from the discontinued Oil Well Maintenance Segment

CHAIRPERSON'S MESSAGE

Dear Shareholders,

Financial year ("FY") 2015 started off as a challenging year with oil prices dropping to an average of about US$50 a barrel, a sharp fall from the average of US$86 a barrel in 2014. As the year progressed, the oil prices continued to weaken significantly and dropped to below US$40 a barrel at the end of FY2015. This weakening of oil prices took place amid a slowdown in China. Around the globe, weak economic data and fragile growth patterns across both the advanced and developing worlds have underpinned a generally more pessimistic outlook. Universal Resource and Services Limited ("URS" or "the Group") also faced challenging conditions and operated in an environment of depressed crude oil prices.

We operate on a business model of leasing out equipment that is catered for the oil extraction. Until FY2015, the leasing model provided the Group with stable recurring revenue stream. As a result of the above mentioned factors, our equipment rental business has been hit by the challenging environment faced by the industry and reduced in activities and/or operations across most of upstream producers in China. The Group experienced significant delays and difficulties in the collection of its receivables and our customers defaulted on paying the outstanding rentals as well as failure to return the leased equipment upon the expiry and/or termination of the leases contracts (please refer to announcements dated 6 November 2015 and 26 February 2016). The management has recovered two sets of drilling machines from the customers and is continuing its effort to track and recover the remaining drilling equipment leased to the customers. In addition, the Group has commenced legal actions against its customers to recover the trade receivables.

As a result of the above, the Group revenue decreased by 42% year-on-year in FY2015 to S$11.4 million, and gross profit decreased by 54% year-on-year to S$3.4 million. In addition, the Group made certain allowance for the impairments on the trade receivable and equipment amounting to S$67.5 million which accounted for the 87% of the Group's net loss of S$77.9 million for FY2015, a significant decline from the $3.6 million of net profit in FY2014.

In view of the challenging business environment, during FY2015, management has improved cost efficiency and to streamlined the Group's structure. In late August 2015, we acquired a second hand drilling machine to expand our customer base. In this regard, we secured a new lease contract, with a previous customer of the Group, for the newly acquired second hand drilling machine. Barring unforeseen circumstances, this second hand drilling machine is expected to be revenue generating in the first half of FY2016.

Due to the current uncertainties, volatilities and depressed oil prices in the energy market, the Board and the management, together with the professionals are still reviewing the proposed Indonesia Oil Block Project, and will update the Shareholders as and when there are new developments in this matter.

We understand the length and severity of current challenges that the entire oil and gas industry is going through, and we will continue to derive and execute optimal strategies that will help the Group sail through the volatilities in the market.

I would like to thank our board of directors, management and staff for their hard work during this challenging period. I would also like to express my gratitude towards our shareholders for their supports despite current market conditions. In return, we are committed to constantly review our business strategy and consistently enhance the shareholder value.

WU Chunlan
Executive Chairperson and
Chief Executive Officer

OPERATIONS REVIEW

AN EXTREMELY CHALLENGING YEAR

During FY2015, the global oil industry entered its most severe downturn in several decades. The shock of sharply rising global supply and falling demand sent oil prices tumbling from above US$55 per barrel average in early 2015 to under US$30 at the start of 2016. The slower growth in the Chinese economy further compounded the challenges within our industry.

The effects of these intense twin pressures resulted in our customers, namely Tianjin Botenaer Petroleum Engineering Co. Ltd ("TBPE") and Hebei Daofu Petroleum Exploration & Technology Development Co. Ltd ("HDPE") defaulting on rental payments (both TBPE and HDPE are collectively referred to as the "Customers"). Furthermore, the equipment under the respective leases with these Customers has yet to be returned to our Group. As a result, impairment amounted to S$67.5 million were made in respect of the receivables and the equipment leased to these Customers, which accounted for 87% of the total net loss for FY2015. These impairments are non-cash in nature and have no impact on cashflow or cash position.

Our management has pursued different courses of actions in respect of the recovery of the equipment as well as the rental payments as announced on 6 November 2015 and 26 February 2016. In the meantime, we have ceased recognition of further revenue on the contracts from these Customers since the second half of FY2015 ("2H 2015") and accordingly the Group only reported a revenue of S$11.4 million in FY2015, or a 42% decrease when compared to FY2014. Though no revenue was recognised for the contracts with these Customers since 2H2015, depreciation relating to the equipment leased to these Customers continued to be charged as administrative expenses and this widened our losses by S$10.8 million.

In summary, the Group's full year net loss was S$77.9 million, of which S$67.5 million pertained to impairment in trade receivables and equipment leased to the Customers and S$10.8 million was the associated deprecation for the equipment leased to the Customers, together they account for substantially all of the net loss for FY2015.

MANAGING IN TURBULENT TIMES

Until oil prices find a new and higher equilibrium, the operating environment for our business will remain tough and unpredictable.

The external environment may be beyond our control but we are not sitting still. In the 2H2015, our Group structure was streamlined through the disposal of dormant and/or unprofitable subsidiaries. During this period, valuations of drilling rigs become depressed and opportunities for acquisitions at reasonably attractive prices arise that do not exist in boom times. In August 2015, our Group acquired a second drilling machine to expand our rental business. The length and severity of the downturn means we may need patience to see returns on this acquisition, but we have confidence that the fundamentals for our industry remain sound in the medium term.

We will look beyond this cycle to seek opportunities that will place us in a position of strength for the future. We have no doubt that energy demand in the PRC will recover as the economy strengthens. Oil prices are also widely forecast to rise as current prices make extraction uneconomic for a substantial proportion of producers.

Our Group is also continuing to evaluate options in relation to the conditional sale and purchase agreement for the effective equity interest of approximately 49% in the Indonesian oilfield project and will make the necessary announcements when there is further development in this matter.

FINANCIAL PERFORMANCE

GROUP REVENUE

Following the restructuring of the Group over the past several years, our business is focused on the Rental of Drilling Rigs. Demand for these services is driven by extraction activities and requires oil prices to be stable and economically sustainable.

The shock of tumbling oil prices drove an extreme contraction in business activity and severe cashflow difficulties for many in our industry. Group revenue declined 42% to S$11.4 million in FY2015. Due to defaults by the Customers, which are also the Group's only two customers, we did not recognise any revenue in 2H2015.

OPERATIONS REVIEW

GROSS PROFIT

Gross profit of S$3.4 million was 54% lower compared to the prior year. The decline was due primarily to the absence of revenue in 2H2015 as explained above, and partially due to the revised depreciation policy set into place in July 2014 and as described in our 2014 Annual Report which increased our depreciation and decreased our gross profit by S$4.6 million in the first half of FY2015 ("1H2015").

OTHER INCOME AND EXPENSES

Interest on cash balances of S$0.4 million was earned in FY2015. In the tough industry climate, our Group continued to focus on cost control, reducing administrative expenses by another 7% to S$2.4 million in FY2015.
Tax expenses in FY2015 were S$0.7 million. This was in relation to overprovision of deferred tax assets by our PRC subsidiary in prior years.

NET LOSS FOR THE YEAR

As a result of the above, the Group recorded a loss from continuing operations for FY2015 of S$77.5 million as compared to a profit of S$3.6 million for FY2014. As described earlier, the brunt of the decline was in 4Q2015, where the Group recorded a net loss from continuing operations of S$69.2 million as compared to a net profit of S$0.9 million in 4Q2014. The decline was predominately due to the impairment of equipment leased to the Customers and receivables which amounted to S$67.5 million.

BALANCE SHEET AND LIQUIDITY

During turbulent times such as these, financial stability is critical. The Group's balance sheet is still liquid, and is still holding S$10.5 million of cash as at 31 December 2015. Our Group has been in a net cash position for the past 5 years. Our current ratio stood at 15-times at year end, far exceeding the 2-times generally considered as healthy.

Despite the severe industry conditions, the Group generated positive operating cashflow during the year.

NET ASSET VALUE PER SHARE

Net Asset Value at year end was S$3.84 per share. This was a decline from the prior year, primarily due to the write-downs described earlier, but is still far above our current share price.

FINANCIAL HIGHLIGHTS

FOR THE YEAR	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Turnover	**11,441**	20,269	21,860	45,162	55,908
- from continuing operations	**11,371**	19,742	16,215	21,886	25,995
- from discontinuing operations	**70**	527	5,645	23,276	29,913
Earnings / (Losses) Before Interests, Tax, Depreciation and Amortisation from continuing operations	**(58,221)**	17,805	4,775	17,324	21,030
Profit / (Loss) Before Tax from continuing operations	**(76,793)**	5,907	(882)	11,362	15,667
Profit / (Loss) After Tax and Non-controlling Interests	**(77,882)**	3,553	(1,033)	(6,493)	15,201
AT YEAR END					
Total Assets	**84,999**	160,408	154,632	190,419	209,810
Total Liabilities	**5,013**	6,857	7,700	18,806	25,189
Total borrowings	**-**	-	-	-	-
Shareholders Equity	**76,984**	147,325	141,292	135,592	150,747
Cash and bank balances	**10,508**	19,761	97,892	27,509	31,219
Debt-to-Equity ratio (times)	**-**	-	-	-	-
PER SHARE					
(Loss)/Earnings Per Share (cents)**	**(388.02)**	17.70	(5.15)	(32.35)	75.73
From continuing operations**	**(386.21)**	17.84	(9.15)	36.20	60.13
From discontinuing operations**	**(1.81)**	(0.14)	4.00	(68.55)	15.60
Net Tangible Assets Value Per Share (S$)**	**3.84**	7.34	7.04	6.76	6.91
RETURNS (%)					
Return on Turnover	**-681%**	18%	-5%	-14%	27%
Return on Shareholders' Equity	**-101%**	2%	-1%	-5%	10%
Return on Total Assets	**-92%**	2%	-1%	-3%	7%

***adjusted for share consolidation*

BOARD OF DIRECTORS

MS WU CHUNLAN

Chairperson and Chief Executive Officer

Ms. Wu Chunlan was appointed as our Executive Director in June 2009 and was re-elected on 27 April 2015. She was also appointed as the Chairperson of the Board and the Chief Operating Officer on 27 April 2015. She joined our Group in 2003 as a project manager and possesses extensive knowledge of Petroleum industry and substantial experience in market development and enterprise management.

Prior to the joining of our Group, she had served Liaohe Oilfield Xiyuan Science and Technology Co., Ltd as Chairman of the Board and General Manager. Ms. Wu Chunlan holds a Bachelor degree from the Huazhong University of Science and Engineering.

MR CHIN YEW CHOONG, DAVID

Lead Independent Director

Mr. Chin was appointed as the Independent Non-Executive Director for the Group on 27 April 2015. He is currently the Lead Independent Director and the Chairman of the Remuneration Committee. Mr. Chin is also a Member of the Audit Committee. He will be due for re-election in the forthcoming AGM.

Mr. Chin is currently a Director in the Regional Desk Practice of Rajah & Tann Singapore LLP. He was previously with Drew & Napier since 1985 and became a partner in 1992. Upon incorporation in 2001, he was a director of Drew & Napier LLC until 2012. He became a Consultant with Drew & Napier LLC from 2012 until 2015 afterwhich he joined Rajah & Tann Singapore LLP.

Mr. Chin graduated with a Bachelor of Laws (Honours) degree from the National University of Singapore and was called to the Bar in 1985. Mr. Chin also serves on the board of M Development Ltd. and Jackspeed Corporation Limited, which are listed on the SGX Mainboard.

BOARD OF DIRECTORS

MR CHOW WAI SAN

Independent Director

Mr. Chow was first elected as the Independent Non-Executive Director for the Group on 27 April 2015. He is currently the Chairman of the Audit Committee and is also a Member of Remuneration Committee and Nominating Committee.

At present, Mr. Chow is the Director of Aquifer Consulting Pte Ltd, a boutique corporate advisory firm. Before starting up his corporate advisory practice, Mr. Chow was a Director of nTan Corporate Advisory Pte Ltd. He has more than 20 years of professional experience gained from working in nTan Corporate Advisory Pte Ltd as well as the big four international accounting firms.

Mr. Chow holds a Bachelor of Accountancy (Honours) from Nanyang Technological University. He is a member of the Institute of Singapore Chartered Accountants, CPA Australia, CFA Society Singapore as well as CFA Institute.

LIU AIZHONG

Independent Director

Mr. Liu Aizhong was appointed as our Independent Non-Executive Director in August 2014 and he is currently the Chairman of the Nominating Committee and is currently a member of the Company's Audit Committee and Remuneration Committee. He was re-elected on 27 April 2015.

Mr. Liu Aizhong was qualified as an Economist in China in 2000 and he has extensive experience in commercial banking industry and with specializations in credit risk and loans. In his professional career of over 20 years, Mr. Liu participated in the assessment and decision processes of various corporate credit and commercial loans. In 2003, Mr. Liu Aizhong was appointed as the Director of the Rural Credit Cooperative Union in Renqiu City, Hebei Province, People's Republic of China. He was then promoted was the Supervisory Director and the Director of the Discipline Committee of the Renqiu City Rural Credit Cooperative Union until 2012.

Mr. Liu Aizhong is a graduate of the Party School of the Central Committee of the CPC and holds a degree in Economics and Management.

SENIOR MANAGEMENT

MR LI CHAK FU

Chief Financial Officer

Mr. Li Chak Fu is our Chief Financial Officer and he joined our Group in March 2010. He oversees the Group's financial functions as well as liaising with external parties in respect of Group's financial matters. Mr. Li's responsibilities also include acquisition evaluation, review of the Group's performance and funding structure and managing investor relations. Mr. Li has more than 15 years of experience in financial management and accounting.

Prior to joining our Group, he had been with various key financial positions within the commercial fields in China and Hong Kong. Mr. Li also worked with one of the big four international accounting firms as senior manager. He is a Fellow of the Association of Chartered Certified Accountants of United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants.

MR WANG SHANZHEN

Chief Engineer

Mr. Wang Shanzhen is our Chief Engineer and he joined our Group in 1998. He is in charge of all the technical services and technical solutions. He also oversees the technical services aspect of our business which includes managing and maintaining our relationships with our customers, monitoring our service delivery, monitoring our new technologies and advising on business exigencies. Mr. Wang has been in the oil industry for more than 30 years. He started out as an extraction technician at the Daqing Oilfield and subsequently became a senior extraction engineer and then vicemanager at the Huabei Oilfield. He then joined the Extraction Factory of Huabei Oilfield as a manager. Mr. Wang is a graduate of the Northeast Petroleum Institute (now known as Daqing Petroleum Institute).

MR DONG SULIN

Chief Operating Officer (Production)

Mr. Dong Sulin is our Chief Operating Officer (Production). He joined our Group in 2001. He was previously a researcher at Huabei Oilfield Underwell Research Institute and thereafter a team leader of a well-drilling team on the Dagang and Liaohe oilfields. Mr. Dong is an engineering graduate of the Beijing Petroleum University.

MS DU PING

Human Resource Director

Ms. Du Ping is our Human Resource Director. She joined our company in April 2004. Ms. Du holds a master degree in Human Resource Management from the University of Sunderland in the United Kingdom. She has more than 15 years of experience in personnel administration and human resource management. She is also a member of the Chartered Institute of Personnel and Development (CIPD), UK.

FINANCIAL CONTENTS

Statement of Corporate Governance

The Board of Directors and Management of Universal Resource and Services Limited (the "**Company**", collectively with its subsidiaries the "**Group**") is committed to setting and maintaining high standards of corporate governance to ensure greater corporate transparency and to protect shareholders' interests and enhance shareholders' value.

This report describes the Company's corporate governance processes and activities with specific reference made to the principles and guidelines as set out in the Code of Corporate Governance 2012 (the"**Code**") issued by the Monetary Authority of Singapore. The Code forms part of the Continuing Obligations of the Listing Manual issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

The Company is pleased to report on our corporate governance processes and activities as required by the Code. For the financial year ended 31 December 2015, the Group has complied in all material respects with the principles laid down by the Code, and where there is any deviation, appropriate explanation has been provided within this Report. For easy reference, sections of the Code under discussion in this Report are specifically identified. However, this Report should be read as a whole as other sections of this Report may also have an impact on the specific disclosures.

BOARD MATTERS

PRINCIPLE 1: The Board's Conduct of its Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the Management to achieve this objective and the Management remains accountable to the Board.

The board of directors of the Company (the "**Board**") is responsible for overall corporate governance, strategic direction, formulation of policies and overseeing the investment and business of the Company. The Board supervises the Management on the businesses and affairs of the Company. The principal functions of the Board are:

1. approving the Group's overall long-term strategies and financial objectives and monitor the performance of management;

2. overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

3. identifying the key stakeholder groups and review the effect of their perception on the Company's reputation;

4. considering sustainability issues as part of its strategic formulation;

5. approving the nominations of directors and appointment of key personnel;

6. approving annual budgets, major funding proposals, major investment and divestment proposals; material acquisitions and disposals of assets; the release of the Group's Quarterly, Half Year and Full Year results; and

7. assuming responsibility for corporate governance.

The Board makes decisions in matters specifically involving material acquisitions and disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders and other matters which require Board approval as specified under the Company's policy.

The Board conducts regular scheduled meetings and attendances by directors are regular. Ad-hoc meetings are convened when circumstances require. The Company's Constitution allow a board meeting to be conducted by way of telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other.

The Board is supported by the Audit Committee (**"AC"**), the Remuneration Committee (**"RC"**) and the Nominating Committee (**"NC"**) and these committees function within their terms of references. The attendances of the directors at these meetings as well as the frequency of such meetings held for the financial year ended 31 December 2015 ("**FY2015**") are disclosed in the following table.

	BOARD OF DIRECTORS			AUDIT COMMITTEE			REMUNERATION COMMITTEE			NOMINATING COMMITTEE		
	Position held	No. of meetings held	No. of Meetings attended	Position held	No. of meetings held	No. of Meetings attended	Position held	No. of meetings held	No. of Meetings attended	Position held	No. of meetings held	No. of Meetings attended
Ms. Wu Chunlan (note 1)	C/M	6	6	-	-	-	-	-	-	-	-	-
Mr. Liu Aizhong	M	6	6	M	5	5	M	2	2	C/M	2	2
Mr. Chin Yew Choong, David (note 2)	M	6	3	M	5	3	C/M	2	1	M	2	1
Mr. Chow Wai San (note3)	M	6	3	C/M	5	3	M	2	1	M	2	1
Mr. Liu Qingzeng (note 4)	M	6	3	-	-	-	-	-	-	-	-	-
Mr. Neo Gim Kiong (note 5)	C/M	6	3	C/M	5	2	M	2	1	M	2	1
Mr. Chng Hock Huat (note 6)	M	6	3	M	5	2	C/M	2	1	C/M	2	1

Note (1): Ms. Wu Chunlan was appointed as the Chairperson of the Board on 27 April 2015.

Note (2): Mr. Chin Yew Choong, David was appointed to the Board as an Independent Director and was appointed as the Chairman of the Remuneration Committee, a member of the Nominating Committee and the Audit Committee on 27 April 2015. He has attended all Board and committees meetings held since his appointment to the Board in FY2015.

Note (3): Mr. Chow Wai San was appointed to the Board as an Independent Director and was appointed as the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nominating Committee on 27 April 2015. He has attended all Board and committees meetings held since his appointment to the Board in FY2015.

Note (4): Mr. Liu Qingzeng retired from the Board as an Executive Director on 27 April 2015.

Note (5): Pursuant to the shareholders' resolution passed at the Extraordinary General Meeting on 27 April 2015, Mr. Neo Gim Kiong ceased to be an Independent Director, the Chairman of the Board and the Audit Committee and a member of the Remuneration Committee and the Nominating Committee.

Note (6): Pursuant to the shareholders' resolution passed at the Extraordinary General Meeting on 27 April 2015, Mr. Chng Hock Huat ceased to be an Independent Director, the Chairman of the Remuneration Committee and the Nominating Committee.

When a new director is to be appointed, a formal letter of appointment shall be provided to the new director. The letter sets out the terms and conditions of his appointment, explains the regulatory requirements that a director has to comply with on appointment, and the on-going obligations of a director under the Companies Act (Chapter 50) of Singapore, the Listing Manual of the SGX-ST and other regulatory requirements. In addition, the director is also given access to the Board resources, including the Company's constitutional and governing documents, the Board and each committee's terms of reference, the Group's policies, annual reports, Board meeting papers and other pertinent information for reference.

Orientation programmes for the new Directors are conducted to familiarize them with the business activities of the Company, its strategic plans and direction and corporate governance practices. The newly appointed directors, namely Mr. Chow Wai San and Mr. Chin Yew Choong, David, have visited the Group's operation in the People's Republic of China during FY2015 to familiarize themselves with the Group's businesses. The Board is of the view that the aforesaid is adequate.

The Non-Executive Independent Directors are routinely briefed by the Executive Directors and/or the Executive Officers at Board meetings and/or at separate sessions on business developments of the Group. The Non-Executive Independent Directors, either individually or as a group, have full access to the Executive Directors, the Management and the Company Secretary.

Briefings and updates provided to the Directors in FY2015:

- the AC received a Risk Assessment Report prepared by the Management through a risk assessment workshop facilitated by an international accounting firm;
- the external auditors briefed the AC members on developments in accounting and governance standards at their attendance in the AC meetings;
- CEO updated the Board at quarterly meetings on strategic and business development of the Group; and
- CEO and CFO updated the Board at quarterly meetings on the business operation and development of the Group.

Board members are encouraged to attend seminars and receive training at the Company's expenses to enable them to perform effectively as Directors.

PRINCIPLE 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises three (3) Independent Directors, namely Mr. Chin Yew Choong, David, Mr. Chow Wai San and Mr. Liu Aizhong and currently only have one (1) Executive Director, namely Ms. Wu Chunlan. The Board considers its current Board size appropriate for the nature and scope of the Group's current operations. However, the Board may appoint additional directors should there be any change in the nature and scope of the Group's operations. The independence of each director is reviewed annually by the NC and the criterion for independence is based on the Code's definition of what constitutes an Independent Director. The Board considers an "Independent Director" as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers who could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment in the conduct of the Group's affairs. The Board believes it is able to exercise independent judgment on corporate affairs and provide Management with a diverse and objective perspective on issues. There is therefore no individual or small group of individuals, who/which dominates the Board's decision making. The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a Confirmation of Independence annually to confirm his independence based on the guidelines as set out in the Code.

The NC is of the view that the current Board consists of respectable individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary and that no individual or small group of individuals dominate the Board's decision making process. The biographies of the current Directors are set out in this Annual Report on pages 10 to 11.

The Independent Directors communicate regularly to discuss matters such as the Group's financial performance, progress of acquisition and corporate governance plan. Key information regarding the directors is given in the "Board of Directors" section of the annual report.

PRINCIPLE 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Ms. Wu Chunlan has assumed the roles of both as the Executive Chairperson of the Board and the CEO since 27 April 2015. As such, Ms. Wu bears executive responsibility for the Company's business as well as responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Code.

Although the roles and responsibilities for the Chairperson and CEO are vested in Ms. Wu, major decisions are made in consultation with the Board which comprises a majority of independent non-executive directors. The Board believes that there are adequate measures in place against any uneven concentration of power and authority in one individual.

The Company has a Lead Independent Director, Chin Yew Choong, David who was also appointed on 27 April 2015. The Lead Independent Director is available to the shareholders where they have concerns and contacts through the normal channels to the Executive Chairman and CEO has failed to resolve or when such contact is inappropriate. The Lead Independent Director may call for meetings of independent directors from time to time without the presence of executive directors and provide feedback to the Chairperson after such meetings.

PRINCIPLE 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC consists of three (3) directors, of whom all are Independent Directors. The NC is chaired by Mr. Liu Aizhong, an Independent Director. The members of the NC as of the date of this report are:

Mr. Liu Aizhong	(Chairman)
Mr. Chin Yew Choong, David	(Member)
Mr. Chow Wai San	(Member)

The principal functions of the NC are:

4.1. identifying candidates and review all nominations for the appointment or re-appointment of members of the Board of Directors and the members of the various Board Committees for the purpose of proposing such nominations to the Board for its approval;

4.2. determining the criteria for identifying candidates and reviewing nominations for the appointments referred to in paragraph 1;

4.3. deciding the manner in which the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and

4.4. assessing the effectiveness of the Board as a whole, and the contribution by each individual director to the effectiveness of the Board.

4.5. determining annually whether or not a Director is independent pursuant to the guidelines as set out in the Code, and by such amendments made thereto to from time to time.

4.6 making recommendations to the Board on re-nomination, appointment and re-appointment of Directors.

4.7 reviewing board succession plans for Directors, Chairperson and CEO;

4.8 reviewing training and professional development program for the Board;

4.9 assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board, and to decide how the Board's performance may be evaluated and propose objective performance criteria; and

4.10 deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and other principal commitments; and

At present, new directors are appointed by the Board of Directors upon the NC's recommendation of their appointment. The Board has used its best effort to ensure that directors appointed to the Board possess the appropriate background, experience and knowledge of the Group's business.

The new directors must submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company. In addition, the Company's Constitution requires all directors to retire from office at regular intervals and at least once every three years.

Although the Independent Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as directors. These directors would widen the experience of the Board and give it a broader perspective. The NC is satisfied that these Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Company, notwithstanding their multiple board representations and other principal commitments.

The Code requires listed companies to fix the maximum number of board representations on other listed companies that their directors may hold and to disclose this in their annual report. Details of such directorships and other principal commitments of our Directors may be found on pages 10 to 11. In determining whether each Director is able to devote sufficient time to discharge his duties, the Board has taken cognizance of the Code requirement, but is of the view that its assessment should not be restricted to the number of board representations of each Director and their respective principal commitments in itself. Holistically, the contributions by our Directors to and during meetings of the Board and the Board Committees as well as their attendance at such meetings should also be taken into account.

PRINCIPLE 5: Board Performance

There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC, in considering the re-appointment of any director, evaluates the performance of the director. The assessment parameters include attendance record at meetings of the Board and Board Committees, active participation at meetings, the quality of contributions and other contributions.

Performance evaluation was conducted for the Board as a whole and the Board Committees for FY2015, by having the Directors and the Board Committee members to complete a questionnaire and findings were analysed with a view to further enhance the effectiveness of the Board. This evaluation exercise provides an opportunity to obtain feedback from each Director and Board Committee member on whether the Board's procedures and processes have allowed each Director and Board Committee member to discharge his/her duties and to propose changes to enhance Board's effectiveness. No external facilitator had been appointed by the Board for this purpose.

An evaluation exercise was carried out in the financial year under review, in view of the size of the current operation of the Group, the NC is of the view that the current performance evaluations carried out for the Board as a whole and the Board Committees are sufficient for the time being. The NC has reviewed from time to time the time commitments and efforts contributed by each of the Directors to the affairs of the Company through their participation at Board and Board Committees meetings and will continue to assess the necessity to carry out the performance evaluation for each individual Director in future. The NC is of the view that the assessment on the performance of the Board as a whole and Board Committee is adequate.

PRINCIPLE 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to the Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

In order to ensure that the directors are able to fulfil their responsibilities, management has provided the directors with monthly updates on the operational and financial performance of the Group and explanation on variances against projection. As a general rule, prior to each Board meeting, the Board is supplied with complete, adequate and relevant information by the Management pertaining to matters to be brought before the Board for decision, including financial statements together with background and explanatory statements, and progress reports of the Group's business operations. Further, the Directors are entitled to request from Management such additional information as required in order to make informed and timely decisions. In addition, the directors have been provided with the contact details such as email particulars of the Group's senior management and Company Secretar(ies) to facilitate independent access.

Should directors, whether individually or as a group, need independent professional advice, the Company will, upon direction by the Board, appoint a professional advisor selected by the group or individual, and approved by the Chairperson to render advice. The cost of such professional advice will be borne by the Company.

The Company Secretar(ies) and/or duly qualified staff appointed by the Company Secretar(ies) attends most of the Board and Committee meetings and is responsible to ensure that board procedures are followed, that applicable rules and regulations are complied with and that proper minutes of the same are taken and kept.

REMUNERATION MATTERS

PRINCIPLE 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises three (3) Independent Directors and is chaired by Chin Yew Choong, David. The members of the RC as of the date of this report are:

Mr. Chin Yew Choong, David	(Chairman)
Mr. Liu Aizhong	(Member)
Mr. Chow Wai San	(Member)

The principal functions of the RC are:

7.1. recommending to the Board a framework of remuneration which covers directors' fees, executive directors and senior management base pay levels, benefits and incentive opportunities, and identify components of pay which can best be used to focus management staff on achieving corporate objectives, including identifying equity-based incentives such as stock options;

7.2. recommending to the Board the structure of the compensation programme for directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;

7.3. reviewing compensation packages of directors, senior management and employees who are related to the Executive Directors and Controlling Shareholders (including the compensation package of the CEO) annually and determine appropriate adjustments for approval by the Board;

7.4 reviewing the Company's obligation arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clause which are not overly generous; and

7.5 administering the Universal Resource and Services Performance Share Plan ("**PSS**") and Universal Resource and Services Employee Share Option Scheme ("**ESOS**") adopted at the Extraordinary General Meeting held on 28 January 2008, in accordance with the rules of the PSS and ESOS.

PRINCIPLE 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Company adopts a remuneration policy for staff comprising basic salary (fixed component) and variable bonus (variable component) that is linked to the performance of the Company and the individual. The RC reviews the remuneration of the senior management to ensure that it commensurate with the Company's and their performance, taking into consideration the financial results and business needs of the Group.

The directors' fees paid to the Independent Directors are also reviewed by the RC to ensure that the remuneration commensurate with the contributions, responsibilities of the directors and the need to pay competitive fees to attract and retain the directors. Director fees recommended to the Board for payment are subject to the shareholders' approval at each Annual General Meeting.

The remuneration for the executive directors comprises fixed salary and variable bonus that is linked to the performance of the Group and individual. Share options are granted on the demonstration of leadership competencies. Their service contracts are for a fixed appointment period of at least 3 years with a notice period of six months but no onerous removal clauses. The above actions enable the Company to align the remuneration of directors and key management with long-term interest and risk policies of the Group, which serves to attract and motivate the directors to provide good stewardship of the Group; and key management personnel to successfully manage the Group.

PRINCIPAL 9: Disclosure on Remuneration

Each Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Generally, the nature of the role performed and market practice are taken into consideration in determining the composition of the remuneration package for each of its staff. For key executive officers, the Company adopts a performance-driven approach to compensation with rewards linked to individual, team and corporate performance.

The following table shows the remuneration bands and composition of the directors' and top 5 key executives' remuneration for the financial year ended 31 December 2015:

	Salary %	Bonus %	Share Option %	Directors' Fees %	Total %
DIRECTORS					
S$200,000 - below S$250,000					
Wu Chunlan	100	-	-	-	100
S$150,000 – below S$100,000					
Liu Qingzeng (#)	100	-	-	-	100
Below S$100,000					
Chin Yew Choong, David (#)	-	-	-	100	100
Chow Wai San (#)	-	-	-	100	100
Liu Aizhong	-	-	-	100	100
Neo Gim Kiong (#)	-	-	-	100	100
Chng Hock Huat(#)	-	-	-	100	100

#: please also refer to notes in respect of those dates of the director appointments and cessations within the section captioned "PRINCIPLE 1: The Board's Conduct of its Affairs" above

A breakdown of each key management personnel remuneration, in percentage terms showing the level and mix for FY2015, is as follows:

	Salary %	Bonus %	Share Option %	Fees %	Total %
KEY MANAGEMENT					
S$100,000 - below S$200,000					
Li Chak Fu	100	-	-	-	100
Below S$100,000					
Dong Sulin	100	-	-	-	100
Du Ping	100	-	-	-	100
Wang Shanzhen	100	-	-	-	100

The exact remuneration of the Directors and the CEO are not disclosed as the Company and the Management has concerns that disclosing the detailed breakdown of the remuneration of the directors and the CEO may compromise sensitive information to the Company's competitors, having regard to the highly competitive industry conditions and the sensitivity and confidentiality of remuneration matters.

The aggregate amount of the total remuneration paid to the Key Management staff (who are not directors or the CEO) is approximately S$313,000.

None of the employees who are immediate family members of a Director or the CEO received remuneration exceeding S$50,000 during FY2015.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is mindful of its obligations to provide shareholders with a comprehensive view of the Group's financial performance, position and prospects on a timely basis that would allow a balanced and understandable assessment of the Group's financial position and prospects. The AC has been tasked to review the Group's financial information to ensure that the objective is met. The Board will update the shareholders on the operations and financial position of the Group through quarterly and full year announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Price sensitive information is first publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings.

On a monthly basis, the Boards is provided with the monthly financial statements and other information on the Group's performance and progress of the various projects undertaken by the Group for effective monitoring and decision making. Management currently provides the Board with appropriately detailed management accounts and such explanation and information 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 Group's performance, position and prospects.

PRINCIPLE 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of assets. Procedures are in place to identify major business risks and evaluate potential financial effects, as well as for the authorisation of capital expenditure and investments. The systems are intended to provide reasonable assurance, but not an absolute guarantee, against material financial misstatement, and regarding the safeguarding of investments and assets, reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification of business risks.

The Company auditors carry out, an annual review of the adequacy and effectiveness of the Group's key internal controls, including financial, operational and compliance controls as well as risk management to the extent of their scope as laid out in their audit plan. In addition, annual review to ensure that safeguards, checks and balances are put in place to prevent any conflicts of interest or any weakening of internal controls. Any material weaknesses in internal controls, together with recommendation for improvement, are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the Company's auditors in this respect. To facilitate the AC, the Company's auditors to make an informed assessment of the Group's internal controls, information such as financial records and financial statements are provided by the Management. The AC will ensure that recommendations by the auditors, arising from the FY2015 audits, if any, be followed up and implemented by Management at the next audit reviews or within the timeline stipulated in the respect audit reports for FY2016.

Risk Management

As the Group does not have a risk management committee, the Board, AC and Management assume the responsibility of the risk management function. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

The Company has an Enterprise Risk Management Framework in place for the Group. The said Framework has been reviewed by the AC and approved by the Board of Directors. The AC and the Management will continually assess the adequacy and effectiveness of the risk management framework and processes.

Internal Controls

The Board recognises the importance of maintaining a sound system of internal controls and risk management to safeguard the interests of the shareholders and the Group's assets.

The Group currently does not have any sophisticated information technology platform nor do the financial reporting system and operations of the Group rely on any complex information technology systems. The Management of the Company has reviewed the information technology risk of the Group and relevant controls and the Board, with the concurrence of the Management, is of the view that the information technology controls currently put in place by the Group are adequate and the risks, if any, associated with information technology is manageable and not significant.

The AC ensures that a review of the effectiveness of the Group's material internal controls, including financial, operational, compliance controls is conducted annually. The AC reviews the audit plans, and the findings of the auditors and will ensure that the Group follows up on auditors' recommendations raised, if any, during the audit process.

During the audit of its FY2015 financial statements, the external auditors informed the AC on 22 February 2016 and subsequently updated on 1 April 2016 that they have not been able to obtain sufficient appropriate audit evidence to satisfy themselves as to the appropriateness of the carrying amount of S$59.1 million included in trade and other receivables, which was brought down from FY2014, stated on the consolidated statement of financial position as at 31 December 2015. Please also refer to Note 8 to the FY2015 Financial Statements for details.

In view of the single incident as disclosed in the announcement dated 12 January 2015, the Company had, on 30 January 2015, announced that the Board was, together with its auditors, Messrs Foo Kon Tan LLP ("**FKT**"), reviewing the internal processes and controls with a view to improve internal governance over the control of financial seals and the bank accounts. On 22 December 2015, the Company announced that the Management had implemented the following additional internal measures in order to enhance the internal processes and the controls of the Group:-

(a) Policies and procedures in relation to the execution of documents;
(b) Policies and procedures in relation to the holding and affixation of seals;
(c) Establishment of clear reporting lines in relation to the finance matters; and
(d) Policies and procedures in relation to the placement of excess funds.

During the Company's external auditors' examination and evaluation of the system of internal controls to the extent as required by them to form an opinion on the financial statements, no significant weakness in the internal control system has come to the attention their attention to cause them to believe that the system of internal controls is inadequate in any material nature.

Based on the internal controls established and maintained by the Company, work performed by the Company's internal and external auditors and reviews performed by the Management, the Board, with the concurrence of the Audit Committee, is of the view that the Company's internal controls addressing all material financial, operational, compliance risks were adequate to meet the needs of the Group in its current business environment as at 31 December 2015.

PRINCIPLE 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.

The AC comprises three (3) non-executive Independent Directors and is chaired by Mr. Chow Wai San. The members of the AC as of the date of this report are:

(a) Mr. Chow Wai San (AC Chairman);
(b) Mr. Chin Yew Choong, David (AC Member); and
(c) Mr. Liu Aizhong (AC Member).

The principal functions of the AC are:

1. recommending to the Board of Directors the external and internal auditors to be nominated, approving the compensation of the auditors, and reviewing the scope and results of the audit, and its cost-effectiveness;

2. reviewing (with the other committees, the Management, and the external and internal auditors) significant risks or exposures that exist and assessing the steps the Management has taken to minimise such risks to the Company;

3. reviewing with the Chief Financial Officer and external auditors at the completion of the annual examination of the following:

   - the Company's audited annual financial statements and related footnotes, and the integrity of financial reporting of the Company including the accounting principles for recommendation to the Board for approval;
   - the external auditors' audit reports;
   - the adequacy of the Company's system of accounting controls;
   - the assistance and co-operation given by the Management to external auditors;
   - any significant findings and recommendations from the external auditors and internal auditors and the Management's responses thereto; and
   - any significant changes required in the external auditors' audit plan, any serious difficulties or disputes with the Management encountered during the course of the audit and their resolution, and other matters related to the conduct of the audit.

4. reviewing with the Management and internal auditors annually the following major items:

    - the internal audit plans, determines the scope of work and approves the internal audit budget;
    - significant internal audit observations and the responses and actions from the Management to address such issues highlighted by the internal auditors;
    - the effectiveness of the Group's internal controls; and
    - any changes required in the internal audit plan and any difficulties encountered in the course of their audits such as access to required information.

5. reviewing legal and regulatory matters that may have a material impact on the financial statements and on the Group's operations;

6. reviewing interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

7. reporting actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and

8. reviewing and reporting to the Board of Directors at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls.

The AC has the express power to conduct or authorize investigations into any matters within its terms of reference. The AC is also authorized to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company. Minutes of AC meetings are regularly submitted to the Board of Directors for its information and review.

FKT, the external auditors of the Company were responsible for providing services in connection with the audit of the financial statements of the Group for FY2015. For FY2015, the total remuneration in respect of audit services provided by FKT for the Group amounted to S$210,000. There was no non-audit service provided by the external auditors to the Group for FY2015. The AC also conducted an annual review of the volume of audit and non-audit services provided by the external auditors in order to maintain the independence of the external auditors.

The AC also met with both the external and internal auditors, without the presence of the Management, in FY2015 to review any matter that might be raised. The AC reviewed the audit plans and reports from the auditors. All audit findings and recommendations were presented to the AC for discussion. In addition, regular updates on changes in accounting standards and treatment were prepared by external auditors and circulated to members of the AC to enable the members of the AC to keep abreast of such changes and its corresponding impact (if any) on the financial statements.

The Company confirms that it is in compliance with Rule 712 and Rule 715 of the SGX-ST Listing Manual in relation to the appointment of its auditors.

Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy and procedures duly endorsed by the AC, where employees of the Group may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters such as suspected fraud, corruption, dishonest practices etc. All reports including unsigned reports, reports weak in details and verbal reports are considered. All complaints are to be treated as confidential and are to be brought to the attention of the AC.

Assessment, investigation and evaluation of complaints are conducted by or at the direction of the AC, if it deems appropriate, independent advisors engaged at the Group's expense. Following investigation and evaluation of a complaint, the AC will then decide on recommended disciplinary or remedial action, if any. The action so determined by the AC to be appropriate shall then be brought to the Board or to the appropriate members of Senior Executive for authorization or implementation respectively.

In the event that the report is about a director, that director shall not be involved in the review and any decisions with respect to that report. The policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisals.

There were no whistle-blowing letters received during the financial year ended 31 December 2015 and until the date of this report.

PRINCIPLE 13: Internal Audit

The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC reviews and approves the internal audit plan and resources to adequately perform the internal audit function on an annual basis. For FY2015, the AC consulted both RSM Risk Advisory Pte Ltd and the Company's external auditor, FKT, in this regard.

The Board and Management had also reviewed and updated the Risk Assessment Report as a result of a risk assessment workshop which was facilitated by RSM Risk Advisory Pte Ltd. Based on the updated Risk Assessment Report, the primary focus for the current financial year would be on the compliance with the additional measures implemented as announced on 22 December 2015 (the "**New Measures**") to enhance and strengthen the Group's internal control system in order to prevent the occurrence of the single incident as disclosed in the annual report for FY2014. The New Measures will be included as part of the internal audit work scope and will accordingly be reviewed by the internal auditors in due course.

In the meantime, the implementation of and compliance with the New Measures was independently reviewed by FKT as part of their audit procedures in respect of the audit of the financial statements for FY2015. The AC and the Board are of the opinion that no further internal audit work was required for FY2015.

All internal audit reports, internal control review reports and management letters issued by the external auditors detailing audit findings and recommendations in respect of the Group's internal control systems are provided to Management which in turn will respond to the actions which are required to be taken. Such reports are also submitted to the AC and discussed at relevant AC meetings. The AC will then monitor the implementation of any required corrective or preventive steps in the internal control processes of the Group.

PRINCIPLE 14: Shareholder Rights and Responsibilities

Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements;

PRINCIPLE 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders; and

PRINCIPLE 16: Conduct of Shareholder meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company is committed to establishing a corporate governance culture that promotes fair and equitable treatment of all shareholders. All shareholders are treated fairly and equitably, and enjoy specific rights under the Companies Act (Chapter 50) of Singapore and the constitution of the Company.

The Company does not practice selective disclosure of material information. Material developments, press releases, quarterly, half year and full year results, analysts briefing materials and other changes in the Company or its business which would be likely materially affect the price or value of the Company are always released through the SGXNET pursuant to the rules of the Listing Manual of the SGX. When analysts briefings are held to discuss on major events and financial results, the Management will only meet the analysts after the announcement is released on the SGXNET.

All shareholders of the Company are encouraged to participate at General Meetings. Information on shareholders' meeting disseminated through notices published in newspapers, as well as through reports or circulars sent to all shareholders, to allow shareholders to be informed of the rules, including voting procedures that govern general meetings of shareholders.

At each AGM, the Board presents the audited financial statements of the Company and the Group to the shareholders. There will also be a question and answer session for the shareholders to ask directors or management questions regarding the Company. Chairman, executive directors and chairman of the various committees together with the external auditors and legal advisors (if necessary) are present to respond to any queries raised by shareholders. The Company's general meetings are the forum for dialogues with shareholders and for the Board and management to address shareholders' questions and concerns. These meetings provide a forum for management to explain the Group's strategy and financial performance.

Each item of special business included in the notice of meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting for approval.

The Constitution allows a member of the Company to appoint one or two proxies to attend and vote in place of the member.

The Company respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure. All material information and changes in the company or its business which would be likely to materially affect the price or value of the Company's shares are disclosed in a timely manner via SGXNET announcements.

The Company recognises its shareholders' desires to receive return from their investments and always endeavors to maximize their returns. In determining whether dividend should be paid, the Board takes into consideration the Group's financial performance, working capital requirements and the needs to retain profits for future investment. The Board is not recommending dividend distribution to shareholders for the financial year under review.

DEALINGS IN SECURITIES

The Company has adopted internal codes pursuant to the SGX-ST Best Practices Guide applicable to all directors and executives of the Group in relation to dealings in the Company's securities. Its directors and executives are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's quarterly results, one month before the announcement of the Company's full year results and ending on the date of the announcement of the results, or if they are in possession of published price-sensitive information of the Group.

In addition, all directors and key executives of the Group are required to observe the insider trading laws at all times and discourage from dealing in the Company's securities on a short term basis.

INTERESTED PERSON TRANSACTIONS

As a company listed on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions.

To ensure compliance with Chapter 9, all interested person transactions to be entered into by the Company will be reviewed by the Management to ensure the terms and charges are fair and reasonable prior to submission to the AC and Board for approval.

The director concerned will not participate and is refraining from the approval of the transactions.

There are no interested persons transactions during the financial year ended 31 December 2015.

MATERIAL CONTRACTS

There are no material contracts (including loans) of the Company or its subsidiaries involving the interests of the CEO, Directors or Controlling Shareholder which subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

Directors' Statement

For the financial year ended 31 December 2015

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2015.

In the opinion of the directors:

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, 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 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

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

Wu Chunlan
David Chin Yew Choong (Lead Independent Director) (Appointed on 27 April 2015)
Chow Wai San (Independent Director) (Appointed on 27 April 2015)
Liu Aizhong (Independent Director)

Directors' interest in shares, debentures or share options

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50, none of the directors who held office at the end of the financial year was interested in shares, debentures or share options of the Company or its related corporations, except as follows:

	Holdings registered in the name of director		**Holdings in which director is deemed to have an interest**	
	As at 1.1.2015	**As at 31.12.2015 and 21.1.2016 #**	As at 1.1.2015	**As at 31.12.2015 and 21.1.2016 #**
The Company - <u>Universal Resource and Services Limited</u>		**Number of share options ***		
Wu Chunlan	75,000	**3,750**	-	**-**

\# There were no changes to the above shareholdings between the end of the financial year and 21 January 2016.

* Refer to the note under "Unissued shares under option" in directors' statement.

Employee Share Option Scheme

At an Extraordinary General Meeting held on 28 January 2008, the shareholders of the Company approved the SKY China Employee Share Option Scheme (now known as Universal Resource and Services Employee Share Option Scheme) (the "ESOS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible directors and employees.

The ESOS is administered by the Remuneration Committee whose members at the date of this report are:

David Chin Yew Choong (Chairman)
Chow Wai San
Liu Aizhong

No share options were granted during the financial year.

Employee Share Option Scheme (cont'd)

Under the ESOS, options granted to the directors and employees may, except in certain special circumstances, be exercised at any time after the first anniversary of the date of the grant of option and before the fifth and tenth anniversary of the date of the grant of option respectively. The ordinary shares of the Company under option may be exercised in full or in part only in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The exercise price is based on the average of closing prices ("market price") of the shares on the Singapore Exchange Securities Trading Limited for the three consecutive trading days immediately preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20 percent to the market price. No options have been granted at a discount.

Share options granted

Details of options granted to directors and employees under the ESOS are as follows:

	Options granted for financial year ended 31.12.2015	Aggregate options granted since commence-ment of the ESOS to 31.12.2015	Aggregate options exercised since commence-ment of the ESOS to 31.12.2015	Aggregate options forfeited since commence-ment of the ESOS to 31.12.2015	Share consolidation*	Aggregate options outstanding as at 31.12.2015
Directors						
Wu Chunlan	-	75,000	-	-	(71,250)	3,750
Others						
Former directors	-	750,000	(450,000)	(200,000)	(95,000)	5,000
Employees	-	2,325,000	(375,000)	(340,000)	(1,529,500)	80,500
	-	3,150,000	(825,000)	(540,000)	(1,695,750)	89,250

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of the Company or any corporation in the Group.

There have been no options granted to the controlling shareholders of the Company or their associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited) during the financial year. No employee, other than four former directors and four employees who have been granted a total of 1,192,000 share options (before Share consolidation*), has received 5% or more of the total number of options available under the ESOS.

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

* Refer to the note under "Unissued shares under option" in directors' statement.

Unissued shares under option

The unissued shares of the Company under option at the end of the financial year are as follows:

Date of grant of options	Balance at 1.1.2015	Granted during the year	Exercised during the year	Share consoli-dation *	Balance at 31.12.2015	Exercise price per share	Number of option holders at 31.12.2015	Exercise period
29.8.2008	1,785,000	-	-	(1,695,750)	89,250	S$3.30	29	29.8.2009 to 28.8.2018

There are no unissued shares of subsidiaries under option at the end of the financial year.

Except as disclosed above, no shares have been issued during the financial year by virtue of the exercise of the options to take up unissued shares of the Company or its subsidiaries.

* During the financial year, the Company undertook a share consolidation exercise, pursuant to which every 20 existing ordinary shares in the capital of the Company was consolidated into one ordinary share. Following the completion of the share consolidation exercise on 18 September 2015, the exercise price for each option was increased by a multiple of 20 from S$0.165 to S$3.30, and the number of shares to be issued on exercise of the options was reduced by a factor of 20 from 1,785,000 to 89,250.

Performance Share Plan

On 28 January 2008, the shareholders of the Company at an Extraordinary General Meeting approved the SKY China Performance Share Plan (now known as Universal Resource and Services Performance Share Plan) (the "PSP") pursuant to which awards of fully paid-up ordinary shares in the Company will be granted, free of payment, to selected eligible participants, when and after achieving prescribed performance targets and upon expiry of prescribed vesting periods. The awards may be settled by the issue of new shares and/or the delivery of treasury shares and/or payment of the equivalent value in cash to participants in lieu of issuing or delivering shares to the participants or combinations thereof at the sole discretion of the Company.

No awards have been granted under the PSP since its commencement.

The total number of new shares which may be issued pursuant to the awards granted under the PSP, when added to the number of shares issued and issuable in respect of all options granted under the PSP, shall not exceed 15% of the issued shares of the Company from time to time.

The PSP is administered by the Remuneration Committee of the Company.

Audit Committee

At the date of this report, the Audit Committee comprises the following members:

Chow Wai San (Chairman)
David Chin Yew Choong
Liu Aizhong

The Audit Committee has met four times since the last Annual General Meeting and has reviewed the following, where relevant, with the executive directors and the internal auditors and external auditors of the Company:

a) the audit plans of the external auditors and internal auditors and results of the auditors' examination and evaluation of the Group's system of internal accounting controls;

b) the Group's financial and operating results and accounting policies;

c) the consolidated financial statements of the Group and the statement of financial position of the Company before their submission to the directors of the Company and the external auditors' report on those financial statements;

d) the quarterly, half-yearly and annual announcements as well as the related press releases on the financial position of the Group and the Company and the financial performance of the Group;

e) the cooperation and assistance given by the management to the Group's internal auditors and external auditors; and

f) the re-appointment of the external auditors.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors and internal auditors have unrestricted access to the Audit Committee.

Independent auditor

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

On behalf of the Directors

....
WU CHUNLAN

....
LIU AIZHONG

Dated: 1 April 2016

Report on the Financial Statements

We have audited the accompanying financial statements of Universal Resource and Services Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Included in trade and other receivables in the consolidated statement of financial position as at 31 December 2015 is an amount of S$59,099,000. As disclosed in Note 8 to the financial statements, this amount relates to the first payment in cash of RMB 271,220,000 made on 30 December 2014 (the "First Payment"), pursuant to the conditional sale and purchase agreement (the "SPA") entered into by SKY Petroleum Technology Development (Tianjin) Co., Ltd ("SKY Tianjin"), a wholly-owned subsidiary of the Company, with Calgary Petroleum Service Co., Limited (the "Vendor") on 29 December 2014 for the proposed acquisition of 5,764 ordinary shares, representing approximately 57.64% of the issued and paid-up capital of Hongkong New Wing Energy Development Company Limited, a wholly owned subsidiary of the Vendor (the "Proposed Acquisition"). According to the SPA, the First Payment is to be refunded with interest by the Vendor to SKY Tianjin in the event that the Company is unable to obtain approval for the Proposed Acquisition from (i) the Company's shareholders at an extraordinary general meeting of the Company to be convened; or (ii) the Singapore Exchange Securities Trading Limited. To date, the Board of Directors, in consultation with the relevant professionals, is undertaking a review of the Proposed Acquisition. The Proposed Acquisition is still pending approval by the Board of Directors at the date of this report, and based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of the carrying amount of the First Payment.

We expressed a qualified opinion in our independent auditor's report dated 31 March 2015 in respect of the financial statements for the financial year ended 31 December 2014, with regards to the same matter described in the preceding paragraph relating to the First Payment of RMB 271,220,000 (S$57,824,000) as at 31 December 2014. The financial statements for the financial year ended 31 December 2015 do not include any adjustments arising from the opening balances as at 1 January 2015, that may be required in respect of the same matter. Our opinion on the financial statements for the financial year ended 31 December 2015 is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Emphasis of Matters

(i) Going concern

We draw attention to Note 2(a) to the financial statements. The events and conditions as set forth therein indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, arising from its future profitability. Notwithstanding this, in consideration of management's plans for future actions as disclosed in Note 2(a) to the financial statements, and particularly in view of the cash position of the Group at the end of the reporting period, the directors are of the view that the going concern assumption is appropriate for the presentation of these financial statements.

If the Group and the Company were unable to continue in operational existence, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements.

(ii) Allowance for unreturned equipment and impairment of trade receivables

We draw attention to Note 2(b) to the financial statements. Management had applied significant judgement in respect of the allowance for unreturned equipment and impairment of trade receivables of S$57,924,000 and S$7,187,000, respectively, which amounted to S$65,111,000 in aggregate and contributed 84% of the net loss of S$77,882,000 incurred by the Group for the financial year ended 31 December 2015.

Our opinion is not further qualified in respect of the matters described in the Emphasis of Matters paragraphs above.

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 have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 1 April 2016

Statements of Financial Position

As at 31 December 2015

		The Group		The Company	
		2015	2014	**2015**	2014
	Note	**S$'000**	S$'000	**S$'000**	S$'000
ASSETS					
Non-Current Assets					
Plant and equipment	4	**8,093**	75,154	**1**	2
Intangible asset	5	**-**	-	**-**	-
Subsidiaries	6	**-**	-	**14,017**	82,606
Deferred tax asset	7	**-**	855	**-**	-
		8,093	76,009	**14,018**	82,608
Current Assets					
Trade and other receivables	8	**66,382**	64,616	**10,134**	10,386
Prepayments		**16**	22	**16**	22
Cash and cash equivalents	9	**10,508**	19,761	**130**	404
		76,906	84,399	**10,280**	10,812
Total assets		**84,999**	160,408	**24,298**	93,420
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	10	**68,080**	68,080	**68,080**	68,080
Reserves	11	**8,904**	79,245	**(45,700)**	24,225
Equity attributable to owners of the Company		**76,984**	147,325	**22,380**	92,305
Non-controlling interests		**-**	3,190	**-**	-
Total equity		**76,984**	150,515	**22,380**	92,305
Non-Current Liability					
Deferred tax liability	7	**3,002**	3,036	**-**	-
Current Liabilities					
Other payables and accruals	12	**5,012**	6,021	**1,917**	1,114
Current tax payable		**1**	836	**1**	1
		5,013	6,857	**1,918**	1,115
Total liabilities		**8,015**	9,893	**1,918**	1,115
Total equity and liabilities		**84,999**	160,408	**24,298**	93,420

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2015

	Note	2015 S$'000	2014 S$'000
Continuing operations			
Revenue	3	**11,371**	19,742
Cost of services		**(7,956)**	(12,360)
Gross profit		**3,415**	7,382
Other income	13	**412**	1,094
Administrative expenses		**(13,149)**	(2,569)
Other expenses	14	**(67,471)**	-
(Loss)/Profit before taxation from continuing operations		**(76,793)**	5,907
Taxation	15	**(726)**	(2,326)
(Loss)/Profit after taxation from continuing operations		**(77,519)**	3,581
Loss from discontinued operations, net of tax	16	**(363)**	(28)
(Loss)/Profit for the year	17	**(77,882)**	3,553
Other comprehensive income after tax:			
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences on consolidation		**4,351**	2,923
Other comprehensive income for the year, net of tax of nil		**4,351**	2,923
Total comprehensive (loss)/income for the year		**(73,531)**	6,476
(Loss)/Profit attributable to:			
Owners of the Company			
- (loss)/profit from continuing operations, net of tax		**(77,519)**	3,582
- loss from discontinued operations, net of tax		**(363)**	(28)
		(77,882)	3,554
Non-controlling interests			
- loss from continuing operations, net of tax		**-**	(1)
		(77,882)	3,553

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)

For the financial year ended 31 December 2015

	Note	2015 S$'000	2014 S$'000
Total comprehensive (loss)/income attributable to:			
Owners of the Company			
- total comprehensive (loss)/income from continuing operations, net of tax		**(73,283)**	6,444
- total comprehensive loss from discontinued operations, net of tax		**(387)**	(10)
		(73,670)	6,434
Non-controlling interests			
- total comprehensive income from continuing operations, net of tax		**139**	42
		(73,531)	6,476
(Loss)/Earnings per share attributable to owners of the Company (Singapore cent)			
From continuing and discontinued operations			
- basic and diluted	18	**(388.02)**	17.70
From continuing operations			
- basic and diluted	18	**(386.21)**	17.84
From discontinued operations			
- basic and diluted	18	**(1.81)**	(0.14)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2015

	Attributable to owners of the Company							
	Share capital S$'000	Share option reserve S$'000	Exchange fluctuation reserve S$'000	Statutory common reserve S$'000	Retained earnings/ (Accumulated losses) S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Balance at 1 January 2014	68,080	166	5,277	20,560	47,209	141,292	3,148	144,440
Profit for the year	-	-	-	-	3,554	3,554	(1)	3,553
Other comprehensive income for the year								
- currency translation differences	-	-	2,880	-	-	2,880	43	2,923
Total comprehensive income for the year	-	-	2,880	-	3,554	6,434	42	6,476
Contributions by and distributions to owners								
- dividends declared (Note 22)	-	-	-	-	(401)	(401)	-	(401)
Transactions with owners in their capacity as owners	-	-	-	-	(401)	(401)	-	(401)
Balance at 31 December 2014	68,080	166	8,157	20,560	50,362	147,325	3,190	150,515
Balance at 1 January 2015	68,080	166	8,157	20,560	50,362	147,325	3,190	150,515
Loss for the year	**-**	**-**	**-**	**-**	**(77,882)**	**(77,882)**	**-**	**(77,882)**
Other comprehensive income for the year								
- currency translation differences	**-**	**-**	**4,212**	**-**	**-**	**4,212**	**139**	**4,351**
Total comprehensive income for the year	**-**	**-**	**4,212**	**-**	**(77,882)**	**(73,670)**	**139**	**(73,531)**
Contributions by and distributions to owners								
- forgiveness of debts between fellow subsidiaries #	**-**	**-**	**-**	**-**	**3,329**	**3,329**	**(3,329)**	**-**
Transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**20,689**	**3,329**	**(3,329)**	**-**
Appropriation from statutory common reserve	**-**	**-**	**-**	**(17,360)**	**17,360**	**-**	**-**	**-**
Balance at 31 December 2015	**68,080**	**166**	**12,369**	**3,200**	**(6,831)**	**76,984**	**-**	**76,984**

Relates to the effect on the non-controlling interest of Tianjin Dagang Shengkang Petroleum Development Co., Ltd. ("Shengkang") and Tianjin Ganghua Petroleum Service Co., Ltd. ("Ganghua") arising from the waiver of the intra-group balances of Shengkang and Ganghua with SKY Petroleum Technology Development (Tianjin) Co., Ltd, which is deemed as a capital transaction with equity holders and recognised directly in equity.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2015

	Note	**2015** **S$'000**	2014 S$'000
Cash Flows from Operating Activities			
(Loss)/Profit before taxation from continuing operations		**(76,793)**	5,907
Loss before taxation from discontinued operations	16	**(359)**	(16)
Total (loss)/profit before taxation		**(77,152)**	5,891
Adjustments for:			
Allowance for unreturned equipment	4	**57,924**	-
Depreciation of plant and equipment	4	**18,623**	12,033
Gain on disposal of subsidiaries		**(22)**	-
Impairment losses on plant and equipment	4	**2,360**	-
Impairment losses on trade receivables	8	**7,187**	-
Interest income	13	**(363)**	(1,094)
Loss on disposal of plant and equipment	17	**266**	-
Operating profit before working capital changes		**8,823**	16,830
Changes in operating receivables		**(6,423)**	(6,627)
Changes in prepayments		**6**	30
Decrease in operating payables		**(1,009)**	(1,636)
Cash generated from operations		**1,397**	8,597
Income taxes paid		**(725)**	(1,833)
Net cash generated from operating activities		**672**	6,764

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

	Note	**2015 S$'000**	2014 S$'000
Cash Flows from Investing Activities			
First payment for proposed acquisition	8	**-**	(57,824)
Interest received		**363**	1,094
Proceeds from disposal of plant and equipment in prior year	A	**-**	5,291
Proceeds from disposal of subsidiaries in current year		**22**	-
Proceeds from disposal of a subsidiary in prior year	B	**-**	6,533
Purchase of plant and equipment	4	**(10,534)**	(39,942)
Net cash used in investing activities		**(10,149)**	(84,848)
Cash Flows from Financing Activities			
Dividends paid	22	**-**	(401)
Net cash used in financing activities		**-**	(401)
Net decrease in cash and cash equivalents		**(9,477)**	(78,485)
Cash and cash equivalents at beginning of year		**19,761**	97,892
Exchange differences on translation of cash and cash equivalents at beginning of year		**224**	354
Cash and cash equivalents at end of year	9	**10,508**	19,761

(A) Relates to the fourth and final tranche payment of RMB 25,584,000 (S$5,291,000) received by the Group in 2014 in relation to the disposal of the vessel, Feng Chang, in 2013.

(B) Relates to the fourth and final tranche payment of RMB 31,590,000 (S$6,533,000) received by the Group in 2014 in relation to the disposal of the subsidiary, Wenling Xinghai Ocean Shipping Co., Ltd, in 2013.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

1 General information

The financial statements of Universal Resource and Services Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The Company is incorporated as a limited liability company and is domiciled in Singapore.

The registered office of the Company is located at 10 Collyer Quay #10-01, Ocean Financial Centre, Singapore 049315.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

2(a) Going concern

The Group incurred a net loss of S$77,882,000 for the financial year ended 31 December 2015, out of which S$65,111,000 was attributed to the allowance for unreturned equipment and impairment of trade receivables, which are non-cash items. During the financial year, the Group's only two customers defaulted in their rental payments and accordingly, the lease agreements with these two customers were either not renewed or terminated. Subsequent to the non-renewal or termination of the lease agreements, these customers have not returned the oil-drilling equipment to the Group. As at the date of issue of these financial statements, the Group's sole new rental contract has yet to commence.

Notwithstanding the above, the directors are of the view that the going concern assumption is appropriate for the presentation of these financial statements due to the following reasons:

(a) Management has prepared a cash flow forecast of the Group ("Forecast") and based on this, having regard to measures implemented to tighten controls over expenses, the directors believe that the Group and the Company have sufficient working capital and financial resources to enable them to meet their liabilities as and when they fall due and continue as going concern for twelve months from the end of the reporting period;

(b) At the end of the reporting period, the Group's cash and bank balances amounted to S$10,508,000. Based on the Forecast and on the assumptions that (i) there are no significant capital investments in equipment, and (ii) a 5% increase in expenses per annum to account for inflation, the Group's cash and bank balances would enable the Group to operate as a going concern for at least another 60 months from the end of the reporting period;

2(a) Going concern (cont'd)

(c) At the end of the reporting period, the Group has no bank loans, while total current liabilities amounted to S$5,013,000, and the cash backing per dollar of current liability is approximately 2.1 times; and

(d) The Group has entered into a lease agreement with a new customer to lease out an oil-drilling machine which was acquired by the Group in 2015. The lease is expected to commence by 28 April 2016, for a period of two years. The Group is also actively seeking new customers to lease out the recovered oil-drilling equipment on a short-term basis until the oil prices stabilise. Barring unforeseen circumstances, these efforts will further strengthen the Group's financial position.

If the Group and the Company were unable to continue in operational existence, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements.

2(b) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information is presented in Singapore dollar and rounded to the nearest thousand, unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

Significant accounting estimates and judgements (cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

Critical judgements in applying accounting policies

Operating leases as a lessor

The Group has entered into commercial leases on its oil-drilling equipment with customers. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these leased assets and accordingly accounts for the contracts as operating leases.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. The functional currency of the Company is determined based on management's assessment of the primary economic environment in which the Company operates, i.e. the one in which it primarily generates and expends cash. In determining the Company's functional currency, judgement is required to determine the currency that most faithfully represents the economic effects of the Company's underlying transactions, events and conditions. Management has applied its judgement to determine the currency that mainly influences the Company's operating, investing and financing activities as an investment holding company, which is assessed to be Singapore dollar.

Unreturned oil-drilling equipment

As disclosed in Note 4 to the financial statements, the Group's oil-drilling equipment had been leased to two customers. On 6 November 2015, due to the default in rental payments by the two customers, the Group issued letters of demand to the two customers to request for the return of all the leased equipment back to the Group. However, to date, the Group has only managed to secure the return of two sets of the equipment. Based on the legal advice obtained, management has applied significant judgement in evaluating the existence of the oil-drilling equipment, and has made a full allowance on the cost and accumulated depreciation of those equipment that has yet to be recovered. Consequently, a loss of S$57,924,000 was recognised in the Group's profit or loss for the financial year ended 31 December 2015.

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

Critical judgements in applying accounting policies (cont'd)

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

As disclosed in Note 8 to the financial statements, the two customers of the Group defaulted on their rental payments. Consequently, on 6 November 2015, the Group issued letters of demand to the two customers to request for the repayment of all outstanding rentals due to the Group. Subsequent to the end of the financial year, the Company completed the filing of legal actions against the two customers with the People's Court in the People's Republic of China ("PRC"). Considerable judgement is required in assessing the estimated realisation of the outstanding rentals, which may be different from the amounts eventually realised. Based on the legal advice obtained, management has evaluated the collectability of the outstanding rentals due from the two customers by considering their financial conditions and circumstances, and has made an allowance for the full impairment of the trade receivables. Consequently, impairment losses of S$7,187,000 was recognised in the Group's profit or loss for the financial year ended 31 December 2015.

Included in trade and other receivables is input VAT of S$7,184,000 (2014: S$6,074,000) (Note 8). Significant judgement is applied by management in assessing the realisation of the input VAT, which is dependent on the subsequent utilisation of output VAT arising from the rental of the oil-drilling machine acquired by the Group in 2015 to a new customer and/or the commencement of any new leases that may be entered into by the Group in respect of those equipment recovered. Should there be no rental revenue in the future, there will be no realisation of the input VAT, and the Group's results may be affected.

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

Critical judgements in applying accounting policies (cont'd)

Income taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

The subsidiaries in the PRC make tax submission to the local tax authorities in accordance with the interpretations and local practices. Management has assessed and concluded that all tax submissions are appropriate and there are no further tax and related liabilities.

The carrying amounts of the Group's deferred tax asset and liability at the end of the reporting period and the Group's income taxes for the year are disclosed in Note 7 and Note 15 to the financial statements, respectively.

Critical assumptions used and accounting estimates in applying accounting policies

Depreciation of plant and equipment

Plant and equipment are depreciated on a diminishing balance basis (for oil-drilling equipment) and straight-line basis (for all other plant and equipment) over their estimated useful lives. Management estimates the useful lives of plant and equipment to be within 1 to 8 years. In particular, management estimates the useful life of oil-drilling equipment to be 8 years. This is a common economic life expectancy applied in the oil exploration and extraction industry. The carrying amount of the Group's plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements. Changes in the expected level of usage, maintenance programmes and technological developments could affect the economic useful lives and residual values of the assets; therefore future depreciation charges could be revised. If depreciation on the Group's plant and equipment increases/decreases by 10% from management's estimates, the Group's results for the year will decrease/increase by S$1,862,000 (2014: S$1,203,000).

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

Critical assumptions used and accounting estimates in applying accounting policies (cont'd)

Impairment of plant and equipment

Plant and equipment are assessed at the end of each reporting period whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss.

Management judgement is required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by its fair value or the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in using current market selling/purchase prices of comparable assets or preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the comparables used in the fair value measurement, or the growth rate and discount rate used in the cash flow projections, could materially affect the fair value or net present value used in the impairment test and as a result may potentially affect the Group's results.

As disclosed in Note 4 to the financial statements, in view of the deterioration in the oil and gas industry and business environment, management has evaluated that there are indications that the remaining oil-drilling equipment held by the Group are impaired. Accordingly, the recoverable amounts of the assets are determined by management by considering the valuations performed by independent professional valuers to estimate the fair values of the assets. Based on the aggregate fair value of S$8,092,000 assessed by management, an allowance for impairment of S$2,360,000 was made for the remaining oil-drilling equipment. In the event that the decline in oil prices persists in 2016 and the following years, further impairment pertaining to the oil-drilling equipment may be required, which will adversely affect the results of the Group.

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

Critical assumptions used and accounting estimates in applying accounting policies (cont'd)

Impairment of subsidiaries

The Company assesses at the end of each reporting period whether there is any indication that the investments in subsidiaries may be impaired. If any indication exists, the investment is tested for impairment. The determination of the recoverable amount requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amount of the Company's subsidiaries at the end of the reporting period is disclosed in Note 6 to the financial statements.

For the impairment testing of a subsidiary for the financial year ended 31 December 2015, management estimates the discount rate using pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the cash-generating unit. An increase of one percentage point in the discount rate used would have increased the impairment loss by S$82,000.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2(c) Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the following FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

Reference	Description
Amendments to FRS 19	Defined Benefit Plans: Employee Contributions
Improvements to FRSs (January 2014):	
- Amendment to FRS 16	Property, Plant and Equipment
- Amendment to FRS 24	Related Party Disclosures
- Amendment to FRS 38	Intangible Assets
- Amendment to FRS 102	Share-based Payment
- Amendment to FRS 103	Business Combinations
- Amendments to FRS 108	Operating Segments

2(c) Interpretations and amendments to published standards effective in 2015 (cont'd)

Reference	Description
Improvements to FRSs (February 2014):	
- Amendment to FRS 40	Investment Property
- Amendment to FRS 103	Business Combinations
- Amendment to FRS 113	Fair Value Measurement

The adoption of these new and amended FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for the following:

<u>Improvements to FRSs (January 2014) Amendment to FRS 24 *Related Party Disclosures*</u>

Improvements to FRSs (January 2014) Amendment to FRS 24 *Related Party Disclosures* clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group and the Company when implemented.

<u>Improvements to FRSs (January 2014) Amendments to FRS 108 *Operating Segments*</u>

Improvements to FRSs (January 2014) Amendments to FRS 108 *Operating Segments* clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group and the Company when implemented.

2(d) FRS not yet effective

The following are the new or amended FRS and INT FRS issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 1	Presentation of Financial Statements: Disclosure Initiative	1 January 2016
Amendments to FRS 7	Statement of Cash Flows: Disclosure Initiative	1 January 2017
Amendments to FRS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 16 and FRS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to FRS 28 and FRS 110	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 111	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs (November 2014):		
- Amendment to FRS 19	Employee Benefits	1 January 2016
- Amendment to FRS 34	Interim Financial Reporting	1 January 2016
- Amendment to FRS 105	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
- Amendments to FRS 107	Financial Instruments: Disclosures	1 January 2016

2(d) FRS not yet effective (cont'd)

Management does not anticipate that the adoption of the above FRS in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for the following:

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

Under Amendments to FRS 7, an entity would need to reconcile cash flows arising from financing activities as reported in the statement of cash flows, excluding contributed equity, to the corresponding liabilities in the opening and closing statements of financial position. Additional disclosures are also required about information that is relevant to an understanding of the liquidity of an entity. This includes any restrictions over the decisions of an entity to use cash and cash equivalent balances, e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. The Group is currently assessing the impact and plans to adopt the amendments on the required effective date.

Amendments to FRS 16 *Clarification of Acceptable Methods of Depreciation*

Amendments to FRS 16 clarify that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technical or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate, because it generally reflects factors other than the consumption of the economic benefits of the asset. For example, revenue is affected by other inputs and processes, selling activities and changes in sales volumes and prices. The price component of revenue may be affected by inflation, which has no bearing upon the way in which an asset is consumed. The Group has reassessed the application and does not expect any impact to the financial statements.

FRS 109 *Financial Instruments*

FRS 109 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 FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

2(d) FRS not yet effective (cont'd)

FRS 109 *Financial Instruments* (cont'd)

Under FRS 109, an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument shall be measured at fair value at the date of initial application. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, 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 FRS 115 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.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

2(e) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup 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.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the Group has all of the following:

(i) power over the investee;

(ii) exposure, or rights or variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRS).

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

Consolidation (cont'd)

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of profit or loss and other comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the statutory financial statements of the subsidiaries prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the subsidiaries are based on the amounts stated in the statutory financial statements.

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the diminishing balance method (for oil-drilling equipment) and straight-line method (for all other plant and equipment) to allocate their depreciable amount over their estimated useful lives as follows:

Oil drilling equipment	8 years
Renovations	3 years
Office equipment	1 to 8 years
Motor vehicles	5 to 8 years

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure relating to plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is recognised in profit or loss from the month that the plant and equipment are installed and are available for use, and to the month of disposal, respectively. Fully depreciated plant and equipment are retained in the books of accounts until they are no longer in use.

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

Plant and equipment and depreciation (cont'd)

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

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

Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

<u>Non-proprietary technologies</u>

Non-proprietary technologies were acquired separately and amortised on a straight-line basis over its finite useful life of five years. The amortisation expense is recognised in the consolidated statement of profit or loss and other comprehensive income under "administrative expenses".

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

Subsidiaries

In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the end of the reporting period with the exception that a financial asset shall not be reclassified into or out of the fair value through profit or loss category while it is held or issued.

All financial assets are recognised on their trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

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

Financial assets (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables and cash and cash equivalents. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks and fixed deposits.

Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and:

(i) represents a separate major line of business or geographical area of operations;

(ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

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

Share capital

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

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because of the constitution of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities comprise other payables and accruals.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in "finance cost" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Other payables and accruals are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

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

Leases

Where the Group is the lessee,

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

Where the Group is the lessor,

Operating leases

Assets leased out under operating leases are included in plant and equipment in the statement of financial position and are depreciated on a straight-line basis over their estimated useful lives. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

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

Income taxes (cont'd)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

Employee benefits

Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. The subsidiaries in the PRC are required to provide certain staff pension contributions to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by the PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The Company makes contributions to the Central Provident Fund, a defined contribution pension scheme regulated and managed by the Government of Singapore.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions relate.

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

Employee benefits (cont'd)

Employee leave entitlements

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

Employee share option scheme

The Company has an employee share option plan for the granting of non-transferable options.

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve is credited to the share capital account when new ordinary shares are issued.

The share option reserve is transferred to retained earnings upon expiry of the options.

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

Related parties

A related party is defined as follows:

a) A person or a close member of that person's family is related to the Group and the Company if that person:

   (i) has control or joint control over the Company;

   (ii) has significant influence over the Company; or

   (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

b) An entity is related to the Group and the Company if any of the following conditions applies:

   (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) both entities are joint ventures of the same third party.

   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

   (vi) the entity is controlled or jointly controlled by a person identified in (a);

   (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Related parties (cont'd)

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged *pro rata* to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment loss is charged to profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

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

Impairment of non-financial assets (cont'd)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in profit or loss.

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. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses 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 recognition criteria must also be met before revenue is recognised:

<u>Rental income</u>

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

<u>Rendering of services</u>

Revenue from the rendering of oil well maintenance services is recognised when the services have been rendered.

<u>Interest income</u>

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

Value-added tax

The Group's rental of oil-drilling equipment in the PRC is subject to value-added tax ("VAT") at the applicable tax rate of 17%. Input VAT on local purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is submitted on a monthly basis and is included as part of "trade and other receivables" or "trade and other payables" in the consolidated statement of financial position.

Revenue, expenses and assets are recognised net of the amount of VAT except where VAT incurred on purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

When a foreign operation is disposed of, the accumulated currency translation differences related to the foreign operation is reclassified to profit or loss, as part of the gain or loss on disposal.

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

Conversion of foreign currencies (cont'd)

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Group entities

The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and

(iii) All resulting currency translation differences are recognised as other comprehensive income in the currency translation reserve in equity.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 21 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire plant and equipment.

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

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3 Revenue

Significant categories of revenue, excluding applicable value-added tax, are detailed as follows:

	Continuing operations		**Discontinued operations (Note 16)**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014
The Group	**S$'000**	S$'000	**S$'000**	S$'000	**S$'000**	S$'000
Oil well maintenance	**-**	-	**70**	527	**70**	527
Rental of oil-drilling equipment	**11,371**	19,742	**-**	-	**11,371**	19,742
	11,371	19,742	**70**	527	**11,441**	20,269

4 Plant and equipment

The Group	Oil-drilling machine and equipment S$'000	Renovations S$'000	Office equipment S$'000	Motor vehicles S$'000	Total S$'000
Cost					
At 1 January 2014	60,652	87	73	92	60,904
Additions	39,942	-	-	-	39,942
Exchange difference on translation	3,555	-	1	2	3,558
At 31 December 2014	104,149	87	74	94	104,404
Additions	**10,534**	**-**	**-**	**-**	**10,534**
Disposals	**(1,336)**	**-**	**(42)**	**(95)**	**(1,473)**
Allowance for unreturned equipment (A)	**(103,972)**	**-**	**-**	**-**	**(103,972)**
Exchange difference on translation	**2,027**	**-**	**1**	**1**	**2,029**
At 31 December 2015	**11,402**	**87**	**33**	**-**	**11,522**
Accumulated depreciation and impairment losses					
At 1 January 2014	16,247	79	65	88	16,479
Depreciation	12,019	7	7	-	12,033
Exchange difference on translation	735	-	1	2	738
At 31 December 2014	29,001	86	73	90	29,250
Depreciation	**18,621**	**-**	**1**	**1**	**18,623**
Disposals	**(1,073)**	**-**	**(42)**	**(92)**	**(1,207)**
Allowance for unreturned equipment (A)	**(46,048)**	**-**	**-**	**-**	**(46,048)**
Impairment losses (B)	**2,360**	**-**	**-**	**-**	**2,360**
Exchange difference on translation	**449**	**-**	**1**	**1**	**451**
At 31 December 2015	**3,310**	**86**	**33**	**-**	**3,429**
Net book value					
At 31 December 2015	**8,092**	**1**	**-**	**-**	**8,093**
At 31 December 2014	75,148	1	1	4	75,154

4 Plant and equipment (cont'd)

The Company	Oil-drilling machine and equipment S$'000	Renovations S$'000	Office equipment S$'000	Motor vehicles S$'000	Total S$'000
Cost					
At 1 January 2014, 31 December 2014 and **31 December 2015**	**-**	**85**	**23**	**-**	**108**
Accumulated depreciation					
At 1 January 2014	-	78	19	-	97
Depreciation	-	7	2	-	9
At 31 December 2014	-	85	21	-	106
Depreciation	**-**	**-**	**1**	**-**	**1**
At 31 December 2015	**-**	**-**	**22**	**-**	**107**
Net book value					
At 31 December 2015	**-**	**-**	**1**	**-**	**1**
At 31 December 2014	-	-	2	-	2

4 Plant and equipment (cont'd)

Depreciation expense is charged under the following:

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Cost of services	**7,798**	11,883	**-**	-
Administrative expenses	**10,774**	14	**1**	9
Expenses (discontinued operations)	**51**	136	**-**	-
	18,623	12,033	**1**	9

(A) The Group's oil-drilling equipment, comprising 101 sets of Measurement-While-Drilling ("MWD") equipment and five sets of Logging-While-Drilling ("LWD") equipment, had been leased to two customers. On 6 November 2015, due to the default in rental payments by these two customers, the Group issued letters of demand to the two customers to request for the return of all the leased equipment back to the Group. However, to date, the Group has only managed to secure the return of two sets of the MWD equipment. Based on the legal advice obtained, management has evaluated the probability of recovery of the remaining 104 sets of oil-drilling equipment, comprising 99 sets of MWD equipment and five sets of LWD equipment, to be low, and accordingly has made a full allowance on the net book value of these equipment which amounted to S$57,924,000. Consequently, a loss of S$57,924,000 was recognised in the Group's profit or loss under "other expenses" for the financial year ended 31 December 2015 (Note 14).

(B) In view of the significant deterioration in the oil and gas industry and business environment, management has concluded that there are indications that the set of oil-drilling machine purchased by the Group in 2015 and the two sets of oil-drilling equipment recovered by the Group from its customers may impaired. Accordingly, the recoverable amounts of the assets are determined by management by considering the valuations performed by independent professional valuers to estimate the fair values of these three sets of equipment. Based on the aggregate fair value of S$8,092,000 assessed by the management, an allowance for impairment of S$2,360,000 was made for these equipment. Consequently, impairment losses of S$2,360,000 were recognised in the Group's profit or loss under "other expenses" for the financial year ended 31 December 2015 (Note 14).

4 Plant and equipment (cont'd)

In determining the fair values of the assets, the valuers used the market comparison and depreciated replacement cost approach. The following table shows the valuation techniques used in measuring the Level 3 fair value hierarchy, as well as the significant unobservable inputs used:

Valuation method	**Key unobservable inputs**	**Basis**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market comparison and depreciated replacement cost method	Current market selling/purchase prices	Current market selling/purchase prices of comparable assets are available	A significant increase in market selling/purchase prices would result in a significantly higher fair value measurement, and *vice versa*.

5 Intangible asset

The Group	**Non-proprietary technologies S$'000**
Cost	
At 1 January 2014 and 31 December 2014	10
Write-off	**(10)**
At 31 December 2015	**-**
Accumulated amortisation	
At 1 January 2014 and 31 December 2014	10
Write-off	**(10)**
At 31 December 2015	**-**
Net book value	
At 31 December 2015	**-**
At 31 December 2014	-

5 Intangible asset (cont'd)

Non-proprietary technologies

Non-proprietary technologies represent the rights obtained by the Group to use patented technologies. These technologies relate to sand removal, shield stabilisers and automatic closure system. The intangible asset is amortised on a straight-line basis over a period of five years. The intangible asset is written off during the financial year.

6 Subsidiaries

The Company	**2015** **S$'000**	2014 S$'000
Unquoted equity investments and amounts due from subsidiaries (non-trade), at cost		
At 1 January	**82,606**	82,606
Disposal of subsidiaries	**(50,509)**	-
At 31 December	**32,097**	82,606
Allowance for impairment losses		
At 1 January	**-**	-
Allowance made	**18,080**	-
At 31 December	**18,080**	-
Carrying amount	**14,017**	82,606

The non-trade amounts due from subsidiaries represent an extension of the Company's net investments in the subsidiaries. The amounts are unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investments in the subsidiaries, they are stated at cost less accumulated impairment losses, if any.

6 Subsidiaries (cont'd)

Deregistration of a subsidiary

During the financial year, the Company commenced the deregistration of Song Yuan Tian Yuan Oil Exploration Technology Service Co., Ltd. ("Tian Yuan"), a wholly-owned subsidiary of SKY Petroleum Technology Development (Tianjin) Co., Ltd ("SKY Tianjin"). As a result of the deregistration of Tian Yuan, the oil well maintenance operations of the Group were classified as discontinued operations (Note 16). The deregistration of Tian Yuan was completed on 22 September 2015.

Incorporation of a subsidiary

On 9 October 2015, SKY Tianjin incorporated a wholly-owned subsidiary in the PRC, Renqiu Kai Yuan Petroleum Technology Development Co., Ltd. ("Kai Yuan"), with a registered capital of RMB 1,000,000. The intended principal activities of Kai Yuan are oil exploration and production, oil and gas transportation and processing technology services and equipment rental. Kai Yuan is currently inactive.

Disposal of subsidiaries

On 21 October 2015, the Company entered into two separate sale and purchase agreements with a third party buyer, China Costal Shipping (HK) Limited, in connection with the sale of the Company's 95% interests in Tianjin Dagang Shengkang Petroleum Development Co., Ltd. ("Shengkang") and Tianjin Ganghua Petroleum Service Co., Ltd. ("Ganghua"), for a cash consideration of RMB 50,000 (S$11,000) for each subsidiary. The disposals of Shengkang and Ganghua were completed on 20 November 2015.

Impairment testing of a subsidiary

In view of the significant deterioration in the oil and gas industry and business environment, and the substantial loss incurred by the Group, management performed impairment testing of the Group's cash-generating unit, which is the rental of oil-drilling equipment. The recoverable amount of the cash-generating unit was determined from value in use calculation based on cash flow projections from formally approved budgets covering a five-year period, using a pre-tax discount rate of 17%. Based on the recoverable amount of S$14,017,000, an allowance for impairment of S$18,080,000 was made for the Company's investment in its wholly-owned subsidiary, SKY Tianjin.

6 Subsidiaries (cont'd)

Impairment testing of a subsidiary (cont'd)

Details of the subsidiaries are:

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held 2015 %	2014 %
Held by the Company				
Tianjin Dagang Shengkang Petroleum Development Co., Ltd [1]	Dormant	People's Republic of China	**-**	95
Tianjin Ganghua Petroleum Technology Service Co., Ltd [1]	Dormant	People's Republic of China	**-**	95
SKY Petroleum Technology Development (Tianjin) Co., Ltd [1]	Provision of rental services	People's Republic of China	**100**	100
Held by SKY Petroleum Technology Development (Tianjin) Co., Ltd				
Song Yuan Tian Yuan Oil Exploration Technology Service Co., Ltd [2]	Provision of technical maintenance services (deregistered)	People's Republic of China	**-**	100
Renqiu Kai Yuan Petroleum Technology Development Co., Ltd [3]	Oil exploration and production, oil and gas transportation and processing technology services and equipment rental (currently inactive)	People's Republic of China	**100**	-

6 Subsidiaries (cont'd)

Impairment testing of a subsidiary (cont'd)

[1] Statutory auditor is Hua Qing CPA Co., Ltd

[2] Statutory auditor is Ji Lin Zhong Qing CPA Co., Ltd

[3] Not required to be audited

The subsidiaries in the PRC are audited by Certified Public Accountants in the PRC for the purpose of PRC statutory reporting and re-audited by Foo Kon Tan LLP for the purpose of the Group's consolidated financial statements to comply with FRS.

7 Deferred taxation

The Group	**2015** **S$'000**	2014 S$'000
Deferred tax asset		
At 1 January	**(855)**	-
Recognised in profit or loss	**870**	(818)
Exchange difference on translation	**(15)**	(37)
At 31 December	**-**	(855)
- To be recovered after one year	**-**	(855)
Deferred tax liability		
At 1 January	**3,036**	2,492
Recognised in profit or loss	**-**	565
Exchange difference on translation	**(34)**	(21)
At 31 December	**3,002**	3,036
- To be settled after one year	**3,002**	3,036

7 Deferred taxation (cont'd)

Deferred taxation is attributable to the following:

The Group	Excess of net book value over tax written down value of qualifying plant and equipment S$'000	Undistributed profits of subsidiaries S$'000	Total S$'000
At 1 January 2014	-	2,492	2,492
Recognised in profit or loss (Note 15)	(818)	565	(253)
Exchange difference on translation	(37)	(21)	(58)
At 31 December 2014	(855)	3,036	2,181
Recognised in profit or loss (Note 15)	**870**	**-**	**870**
Exchange difference on translation	**(15)**	**(34)**	**(49)**
At 31 December 2015	**-**	**3,002**	**3,002**

On 22 February 2008, the Ministry of Finance and the State Administration of Taxation of the PRC issued a joint circular Caishui [2008] No. 1 which states that the distribution of dividends after 1 January 2008 from profits derived before 1 January 2008 will be exempted from withholding tax on distribution to foreign invested enterprises. Whereas, dividends distributed out of profits generated thereafter, shall be subject to Enterprise Income Tax ("EIT") at 10% and withheld by foreign invested enterprises, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Regulations. As a result, there were no deferred tax liabilities arising from undistributed profits of the PRC subsidiaries accumulated up till 31 December 2007 (the "exemption period"). After the exemption period, the Group recognises deferred tax liabilities to the extent per FRS 12 *Income Taxes* on profits accumulated from 1 January 2008.

7 Deferred taxation (cont'd)

Deferred tax asset has not been recognised in respect of the following item:

The Group	**2015** **S$'000**	2014 S$'000
Unutilised tax loss	**3,110**	886

At the end of the reporting period, the Group has tax loss of RMB 57,252,000 (2014: RMB 16,625,000), approximately S$12,440,000 (2014: S$3,544,000) that is allowed to be carried forward for five years and used to offset against future taxable profits of a PRC subsidiary in which the loss arose, for which no deferred tax asset has been recognised due to the uncertainty of its recoverability. The use of the tax loss by the PRC subsidiary is subject to agreement by the relevant PRC tax authority and compliance with the provisions of the applicable PRC tax regulation.

8 Trade and other receivables

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Trade receivables	**7,187**	521	**-**	-
Less: Allowance for impairment losses	**(7,187)**	-	**-**	-
	-	521	**-**	-
Amounts due from subsidiaries (non-trade)	**-**	-	**10,086**	10,310
First payment for proposed acquisition	**59,099**	57,824	**-**	-
Input VAT	**7,184**	6,074	**-**	-
Other deposits	**41**	52	**41**	38
Other receivables	**58**	145	**7**	38
	66,382	64,095	**10,134**	10,386
	66,382	64,616	**10,134**	10,386

The non-trade amounts due from subsidiaries, which represent advances to and payments on behalf of the subsidiaries, are unsecured, interest-free and repayable on demand. There is no allowance for impairment of receivables arising from the outstanding balances.

8 Trade and other receivables (cont'd)

The movement in allowance for impairment losses in respect of trade receivables is as follows:

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
At 1 January	**-**	-	**-**	-
Allowance made (Note 14)	**7,187**	-	**-**	-
At 31 December	**7,187**	-	**-**	-

Trade receivables relate to amounts due from two customers for the rental of oil-drilling equipment of the Group. During the financial year, the two customers defaulted on their rental payments. Consequently, on 6 November 2015, the Group issued letters of demand to the two customers to request for the repayment of all outstanding rentals due to the Group. Subsequent to the end of the financial year, the Company completed the filing of legal actions against the two customers with the People's Court in the PRC. Management considered the financial conditions of the two customers and the circumstances that lead to the default on their rental payments, as well as the legal advice obtained, management concluded the probability of recovery of the outstanding rentals due from these two customers to be low. Accordingly, the Group made an allowance for the full impairment of these trade receivables which amounted to S$7,187,000, which was recognised in the Group's profit or loss under "other expenses" for the financial year ended 31 December 2015 (Note 14).

First payment for proposed acquisition relates to the first payment in cash of RMB 271,220,000 (the "First Payment") made on 30 December 2014, pursuant to the conditional sale and purchase agreement (the "SPA") entered into by SKY Petroleum Technology Development (Tianjin) Co., Ltd ("SKY Tianjin"), a wholly-owned subsidiary of the Company, with Calgary Petroleum Service Co., Limited (the "Vendor") on 29 December 2014 for the proposed acquisition of 5,764 ordinary shares (the "Sale Shares"), representing approximately 57.64% of the issued and paid-up capital of Hongkong New Wing Energy Development Company Limited, a wholly owned subsidiary of the Vendor, from the Vendor (the "Proposed Acquisition"). According to the SPA, the First Payment is to be refunded with interest by the Vendor to SKY Tianjin in the event that the Company is unable to obtain approval for the proposed acquisition from (i) the Company's shareholders at an extraordinary general meeting of the Company to be convened; or (ii) the Singapore Exchange Securities Trading Limited.

8 Trade and other receivables (cont'd)

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Renminbi	**66,318**	64,541	**-**	-
Singapore dollar	**64**	75	**10,134**	9,462
United States dollar	**-**	-	**-**	924
	66,382	64,616	**10,134**	10,386

Trade and other receivables are mainly not past due. There are no trade and other receivables which are past due but not impaired at the end of the reporting period.

9 Cash and cash equivalents

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Cash on hand	**1**	3	**-**	-
Cash in banks	**10,507**	570	**130**	404
Fixed deposits	**-**	19,188	**-**	-
	10,508	19,761	**130**	404

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Renminbi	**10,378**	19,357	**-**	-
Singapore dollar	**129**	403	**129**	403
United States dollar	**1**	1	**1**	1
	10,508	19,761	**130**	404

The fixed deposits had an average maturity of 57 days from 31 December 2014 with a weighted average effective interest rate of 2.4% per annum as at 31 December 2014.

10 Share capital

The Group and The Company	**2015 '000**	2014 '000	**2015 S$'000**	2014 S$'000
	Number of ordinary shares			
Issued and fully paid, with no par value				
At 1 January	**401,430**	401,430	**68,080**	68,080
Share consolidation	**(381,358)**	-	**-**	-
At 31 December	**20,072**	401,430	**68,080**	68,080

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

During the financial year, the Company undertook a share consolidation exercise, pursuant to which every 20 existing ordinary shares in the capital of the Company was consolidated into one ordinary share, so as to comply with the Minimum Trading Price requirement as implemented by the Singapore Exchange Securities Trading Limited as an additional continuing listing requirement. Following the completion of the share consolidation exercise on 18 September 2015, the issued share capital of the Company as at 31 December 2015 comprises 20,071,500 consolidated shares.

11 Reserves

	The Group		The Company	
	2015 S$'000	2014 S$'000	**2015 S$'000**	2014 S$'000
Statutory common reserve	**3,200**	20,560	**-**	-
Share option reserve	**166**	166	**166**	166
Exchange fluctuation reserve	**12,369**	8,157	**-**	-
(Accumulated losses)/Retained earnings	**(6,831)**	50,362	**(45,866)**	24,059
	8,904	79,245	**(45,700)**	24,225

11 Reserves (cont'd)

Statutory common reserve

In accordance with the relevant laws and regulations of the PRC, each subsidiary in the PRC is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory net profit for each year, as determined in accordance with the applicable PRC accounting standards and regulations, must be allocated to the SRF until the cumulative total of the SRF reaches at least 50% of the registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital. The SRF is not available for dividend distribution to owners. The directors have decided that 10% of the net profit, as reported in the statutory financial statements of the PRC subsidiaries, be appropriated each year to the SRF.

The appropriation to SRF ended as at 31 December 2012 after it has reached 50% of the registered capital of the PRC subsidiaries.

Share option reserve

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Exchange fluctuation reserve

Exchange fluctuation reserve arises from the translation of financial statements of foreign entities whose functional currencies are different from the presentation currency.

12 Other payables and accruals

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Accrued expenses	**4,270**	4,705	**418**	422
Advances from a customer	**-**	213	**-**	-
Amount due to a former subsidiary (non-trade)	**-**	361	**-**	-
Amount due to a subsidiary (non-trade)	**-**	-	**1,499**	692
Purchase consideration payable for acquisition of a subsidiary	**742**	742	**-**	-
	5,012	6,021	**1,917**	1,114

Advances from a customer relate to payments received by a subsidiary, SKY Petroleum Technology Development (Tianjin) Co., Ltd ("SKY Tianjin") from a customer, Tianjin Botenaer Petroleum Engineering Co., Ltd, in advance for the rental of the SKY Tianjin's oil-drilling equipment.

The non-trade amount due to a former subsidiary, Song Yuan Tian Xi Harbor Oil Exploration Co., Ltd ("Tian Xi"), which relates to payments made by Tian Xi on behalf of the wholly-owned subsidiary of SKY Tianjin, Song Yuan Tian Yuan Oil Exploration Technology Service Co., Ltd, in prior years, was unsecured, interest-free and repayable on demand. The amount was fully settled during the financial year.

The non-trade amount due to a subsidiary, which represents advances from and payments on behalf by the subsidiary, SKY Tianjin, is unsecured, interest-free and repayable on demand.

12 Other payables and accruals (cont'd)

Other payables and accruals are denominated in the following currencies:

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Renminbi	**4,594**	5,599	**1,499**	692
Singapore dollar	**418**	422	**418**	422
	5,012	6,021	**1,917**	1,114

13 Other income

	2015	2014
The Group	**S$'000**	S$'000
Exchange gain, net	**27**	-
Gain on disposal of subsidiaries	**22**	-
Interest income from cash and cash equivalents	**363**	1,094
	412	1,094

14 Other expenses

	2015	2014
The Group	**S$'000**	S$'000
Allowance for unreturned equipment (Note 4)	**57,924**	
Impairment losses on plant and equipment (Note 4)	**2,360**	-
Impairment losses on trade receivables (Note 8)	**7,187**	-
	67,471	-

15 Taxation

The Group	**2015** **S$'000**	2014 S$'000
Current taxation - continuing operations		
- current year	**-**	2,579
- over provision in respect of prior years	**(144)**	-
	(144)	2,579
Deferred taxation - continuing operations		
- reversal of temporary differences	**-**	(253)
- deferred tax asset written off	**870**	-
	870	(253)
Taxation attributable to continuing operations	**726**	2,326
Current taxation - discontinued operations		
- current year	**4**	12
Taxation attributable to discontinued operations (Note 16)	**4**	12
Total taxation	**730**	2,338
Current taxation		
- continuing operations	**(144)**	2,579
- discontinued operations	**4**	12
	(140)	2,591
Deferred taxation (Note 7)		
- continuing operations	**870**	(253)
Total taxation	**730**	2,338

15 Taxation (cont'd)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable rate of income tax on (losses)/ profits as a result of the following:

The Group	**2015 S$'000**	2014 S$'000
(Loss)/Profit before taxation from continuing operations	**(76,793)**	5,907
Loss before taxation from discontinued operations (Note 16)	**(359)**	(16)
Total (loss)/profit before taxation	**(77,152)**	5,891
Tax at statutory rates applicable to different jurisdictions	**(19,170)**	1,576
Tax effect on non-deductible expenses	**17,214**	224
Tax effect on non-taxable income	**(264)**	-
Deferred tax liabilities relating to withholding tax on undistributed profits of subsidiaries	**-**	565
Deferred tax assets on temporary differences not recognised	**2,224**	-
Deferred tax asset written off	**870**	-
Over provision of current taxation in respect of prior years	**(144)**	-
Others	**-**	(27)
	730	2,338

The corporate income tax rate applicable to the Company is 17% for the year of assessment 2011 onwards.

In accordance with the Enterprise Income Tax ("EIT") Law of the PRC, the PRC subsidiaries are subject to the applicable EIT rate of 25% (2014: 25%) for the current financial year.

Non-deductible expenses mainly relate to allowance for unreturned equipment, impairment losses on plant and equipment, and impairment losses on trade receivables of S$57,924,000, S$2,360,000 and S$7,187,000, respectively (Note 14).

At the end of the reporting period, subject to agreement with the relevant PRC tax authority, the Group has unutilised tax loss of RMB 57,252,000 (2014: RMB 16,625,000), approximately S$12,440,000 (2014: S$3,544,000) available for offset against future taxable profits of a PRC subsidiary provided that the provisions of the applicable PRC tax regulation are complied with. The related tax benefit of S$3,110,000 (2014: S$886,000) has not been recognised in the financial statements due to the uncertainty of its recoverability (Note 7).

16 Discontinued operations

On 11 August 2015, the Board of Directors announced the commencement of the deregistration of Song Yuan Tian Yuan Oil Exploration Technology Service Co., Ltd ("Tian Yuan"), a wholly-owned subsidiary of SKY Petroleum Technology Development (Tianjin) Co., Ltd. Tian Yuan has remained dormant since the expiry of its oil well maintenance service contract with its sole customer, Song Yuan Tian Xi Harbour Oil Exploration Co., Ltd ("Tian Xi"), a former subsidiary in the Group, in March 2015. Consequently, the Board of Directors decided that it is in the best interests of the Group to discontinue and exit the oil well maintenance business in the PRC by undertaking the deregistration.

Accordingly, the oil well maintenance operations of the Group were classified as discontinued operations, and the results relating to the oil well maintenance operating segment have been presented in the consolidated statement of profit or loss and other comprehensive income as "loss from discontinued operations, net of tax". The segment was not previously presented as discontinued operations or classified as held for sale as at 31 December 2014, and thus the comparative statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

The deregistration of Tian Yuan was completed on 22 September 2015.

Results of discontinued operations

The Group	Note	**2015** **S$'000**	2014 S$'000
Revenue	3	**70**	527
Expenses		**(163)**	(543)
Loss on disposal of plant and equipment		**(266)**	-
Loss before taxation		**(359)**	(16)
Taxation	15	**(4)**	(12)
Loss from discontinued operations, net of tax		**(363)**	(28)
Loss attributable to owners of the Company		**(363)**	(28)
			(Restated)
Basic and diluted loss per share (Singapore cent)	18	**(1.81)**	(0.14)

16 Discontinued operations (cont'd)

Loss per share from discontinued operations

The basic and diluted loss per share from discontinued operations is calculated by dividing the loss from discontinued operations, net of tax, attributable to owners of the Company of S$363,000 (2014: S$28,000), by the weighted average number of ordinary shares outstanding of 20,071,500 (2014: 20,071,500) (Note 18).

Cash flows attributable to discontinued operations

The Group	**2015 S$'000**	2014 S$'000
Net cash (used in)/generated from operating activities	**(119)**	92
Net cash (outflows)/inflows for the year	**(119)**	92

17 (Loss)/Profit for the year

The Group	Note	**2015 S$'000**	2014 S$'000
(Loss)/Profit for the year has been arrived at after charging:			
Depreciation of plant and equipment	4	**18,623**	12,033
Exchange loss, net		**-**	7
Loss on disposal of plant and equipment		**266**	-
Operating lease expenses		**252**	273
Audit fees paid/payable to:			
- auditor of the Company		**210**	250
- other auditors		**9**	17
Non-audit fees paid/payable to:			
- auditor of the Company		**-**	50
Staff costs			
Directors:			
Directors' fees		**200**	184
Directors' remuneration other than fees:			
- salaries and other related costs		**366**	450
- contributions to defined contribution plans		**1**	1
		567	635

17 (Loss)/Profit for the year (cont'd)

The Group	2015 S$'000	2014 S$'000
Key management personnel (other than directors):		
- salaries and other related costs	**292**	289
- contributions to defined contribution plans	**23**	21
	315	310
Total key management personnel compensation	**882**	945
Other than key management personnel:		
- salaries and other related costs	**139**	693
- contributions to defined contribution plans	**35**	76
	174	769
Total staff costs	**1,056**	1,714

18 (Loss)/Earnings per share

The calculation of basic and diluted (loss)/earnings per share was based on the loss attributable to ordinary shareholders of S$77,882,000 (2014: profit of S$3,553,000) and a weighted average number of ordinary shares outstanding of 20,071,500 (2014: 20,071,500 [#]), calculated as follows:

<u>(Loss)/Profit attributable to ordinary shareholders</u>

The Group	Continuing operations S$'000	Discontinued operations S$'000	Total S$'000
2015			
Loss attributable to ordinary shareholders	**(77,519)**	**(363)**	**(77,882)**
2014			
Profit attributable to ordinary shareholders	3,581	(28)	3,553

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

Weighted average number of ordinary shares

The Group	**2015 '000**	2014 '000 (Restated)
Issued ordinary shares at beginning of year	**401,430**	401,430
Share consolidation #	**(381,358)**	(381,358)
Weighted average number of ordinary shares during the year	**20,072**	20,072

(Loss)/Earnings per share attributable to ordinary shareholders

The Group	**Continuing operations**	**Discontinued operations**	**Total**
2015			
Loss per share attributable to ordinary shareholders (Singapore cent)	**(386.21)**	**(1.81)**	**(388.02)**
2014			
Earnings per share attributable to ordinary shareholders (Singapore cent) (Restated) #	17.84	(0.14)	17.70

As at 31 December 2014, the 89,250 # share options granted to directors and employees under the existing employee share option scheme do not have a dilutive effect because the average market price of the Company's ordinary shares for the financial year ended 31 December 2014 during which the options were outstanding does not exceed the exercise price of the options.

As at 31 December 2015, the 89,250 outstanding share options were excluded from the calculation of the diluted weighted average number of ordinary shares in issue as their effect would have been anti-dilutive.

During the financial year, the Company undertook a share consolidation exercise, pursuant to which every 20 existing ordinary shares in the capital of the Company was consolidated into one ordinary share, so as to comply with the Minimum Trading Price requirement as implemented by the Singapore Exchange Securities Trading Limited as an additional continuing listing requirement. Following the completion of the share consolidation exercise on 18 September 2015, the issued share capital of the Company as at 31 December 2015 comprises 20,071,500 consolidated shares. Accordingly, corresponding figures for earnings per share have been adjusted for the share consolidation exercise.

19 Equity-settled share-based payment transactions

Share option scheme

The Company has a share option scheme for employees of the Group. The share option scheme is administered by the Remuneration Committee. Options are exercisable at a price based on the average of the last done prices of the shares of the Company on the Singapore Exchange Securities Trading Limited for the three consecutive trading days preceding the date of grant. The Remuneration Committee may at its discretion fix the exercise price at a discount not exceeding 20% to the above price. The vesting period is one year from the date of grant. If the options remain unexercised after a period of five years for non-executive directors and ten years for employees from the date of grant, the options expire. Options are forfeited if any director or employee ceases to be under appointment or employment of the Company or any of the companies within the Group before the options vest.

There has been no cancellation or modification to the share option scheme during the financial year.

Information with respect to the number and weighted average exercise price of options granted under the share option scheme is as follows:

	Number of options * 2015	**Weighted average exercise price * 2015 S$**	Number of options 2014	Weighted average exercise price 2014 S$
Outstanding at end of year	**89,250**	**3.30**	1,785,000	0.165
Exercisable at end of year	**89,250**	**3.30**	1,785,000	0.165

* During the financial year, the Company undertook a share consolidation exercise, pursuant to which every 20 existing ordinary shares in the capital of the Company was consolidated into one ordinary share. Following the completion of the share consolidation exercise on 18 September 2015, the exercise price for each option was increased by a multiple of 20 from S$0.165 to S$3.30, and the number of shares to be issued on exercise of the options was reduced by a factor of 20 from 1,785,000 to 89,250.

No share options were granted or exercised during the financial year.

19 Equity-settled share-based payment transactions (cont'd)

Share option scheme (cont'd)

The options outstanding at the end of the financial year have an exercise price of S$3.30 (2014: S$0.165) and a weighted average remaining contractual life of 2.7 years (2014: 3.7 years).

The grant date fair value of options granted under the share option scheme remained unchanged during the financial year as the vesting period of options granted under the share option scheme had ended in 2010 and no new options were granted since then.

The fair value of options granted under the share option scheme was measured based on the Binomial pricing model. Expected volatility was estimated by considering the historical volatility of the Company's share price over the period commensurate with the expected term.

20 Operating lease commitments (non-cancellable)

Where the Group and the Company are the lessees,

At the end of the reporting period, the Group and the Company were committed to making the following payments in respect of non-cancellable operating leases of office premises and employee accommodation:

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Not later than one year	**51**	182	**48**	154
Later than one year and not later than five years	**-**	21	**-**	21
	51	203	**48**	175

As at 31 December 2014, the leases on the Group's and the Company's office premises on which rentals are payable will expire on 31 December 2015 and 28 February 2016, and the rent payable on the leases is RMB 50,000 (S$11,000) and S$11,000 per month, respectively.

20 Operating lease commitments (non-cancellable) (cont'd)

Where the Group and the Company are the lessees, (cont'd)

As at 31 December 2015, the leases on the Company's office premise and employee accommodation on which rentals are payable will expire on 28 February 2016 and 31 December 2016, respectively. The current rent payable on the respective leases is S$11,000 and S$3,000 per month.

The leases have no renewal option or contingent rent provision included in the contracts.

Where the Group is the lessor,

At the end of the reporting period, the Group had the following rental income under non-cancellable operating leases of oil-drilling equipment:

The Group	**2015** **S$'000**	2014 S$'000
Not later than one year	**1,235**	16,231
Later than one year and not later than five years	**2,469**	37,182
	3,704	53,413

As at 31 December 2014, the leases on the oil-drilling equipment on which rentals are receivable by the Group will expire between 2015 and 2019, and the rental receivable on the leases ranges from RMB 180,000 (S$38,000) to RMB 275,000 (S$59,000) per quarter for each unit.

As at 31 December 2015, the lease on the oil-drilling machine on which rentals are receivable by the Group will expire on 27 April 2018, and the rental receivable on the lease is RMB 708,000 (S$154,000) per quarter.

The leases have no renewal option or contingent rent provision included in the contracts.

21 Operating segments

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) The rental of oil-drilling equipment segment is in the business of leasing oil-drilling equipment to third parties through SKY Petroleum Technology Development (Tianjin) Co., Ltd ("SKY Tianjin").

(ii) The oil well maintenance segment provides technical maintenance services on oil wells through Song Yuan Tian Yuan Oil Exploration Technology Service Co., Ltd ("Tian Yuan").

(iii) The corporate segment is involved in group-level corporate services and treasury functions.

No operating segments have been aggregated to form the above reportable operating segments.

The oil well maintenance segment was classified as discontinued operations following the commencement of the deregistration of Tian Yuan, a wholly-owned subsidiary of SKY Tianjin (Note 16). The deregistration of Tian Yuan was completed on 22 September 2015.

The Group's CEO, who is the chief operating decision maker, monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Income taxes are managed on a group basis and are not allocated to operating segments.

Information regarding the results of each reportable segment is included in the following table. Performance is measured based on segment (loss)/profit before taxation, as included in the internal management reports that are regularly reviewed by the Group's CEO. Segment (loss)/profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

21 Operating segments (cont'd)

The Group	Continuing operations: Rental of oil-drilling equipment S$'000	Continuing operations: Corporate S$'000	Continuing operations: Total continuing operations S$'000	Discontinued operations: Oil well maintenance S$'000	Total S$'000
2015					
Revenue					
External customers	11,371	-	11,371	70	11,441
Results					
Interest income	363	-	363	-	363
Allowance for unreturned equipment	(57,924)	-	(57,924)	-	(57,924)
Depreciation	(18,569)	(3)	(18,572)	(51)	(18,623)
Impairment losses on plant and equipment	(2,360)	-	(2,360)	-	(2,360)
Impairment losses on trade receivables	(7,187)	-	(7,187)	-	(7,187)
Loss on disposal of plant and equipment	-	-	-	(266)	(266)
Segment loss before taxation	(75,312)	(1,481)	(76,793)	(359)	(77,152)
Income tax expense	(726)	-	(726)	(4)	(730)
Segment loss for the year	(76,038)	(1,481)	(77,519)	(363)	(77,882)
Assets and liabilities					
Segment assets	74,379	10,620	84,999	-	84,999
Segment liabilities	2,242	5,773	8,015	-	8,015
Capital expenditure	10,534	-	10,534	-	10,534

21 Operating segments (cont'd)

The Group	Continuing operations: Rental of oil-drilling equipment S$'000	Continuing operations: Corporate S$'000	Continuing operations: Total continuing operations S$'000	Discontinued operations: Oil well maintenance S$'000	Total S$'000
2014					
Revenue					
External customers	19,742	-	19,742	527	20,269
Results					
Interest income	1,094	-	1,094	-	1,094
Depreciation	(11,885)	(12)	(11,897)	(136)	(12,033)
Segment profit/(loss) before taxation	7,213	(1,306)	5,907	(16)	5,891
Income tax expense	(1,761)	(565)	(2,326)	(12)	(2,338)
Segment profit/(loss) for the year	5,452	(1,871)	3,581	(28)	3,553
Assets and liabilities					
Segment assets	159,189	565	159,754	654	160,408
Segment liabilities	3,267	6,330	9,597	296	9,893
Capital expenditure	39,942	-	39,942	-	39,942

21 Operating segments (cont'd)

Geographical information

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

All revenues of the Group are derived from the PRC.

S$1,000 (2014: S$2,000) of the non-current assets of the Group are located in Singapore and the rest are located in the PRC.

Information about major customers

Revenue from the rental of oil-drilling equipment was derived from two customers (2014: two customers), amounting to S$11,371,000 (2014: S$19,742,000).

22 Dividends

The Group and The Company	**2015 S$'000**	2014 S$'000
Final tax-exempt (one-tier) dividend of nil Singapore cent (2014: 0.10 Singapore cent) per share paid in respect of the previous financial year	-	401

At the Annual General Meeting on 29 April 2014, a final tax-exempt (one-tier) dividend of 0.10 Singapore cent per share amounting to S$401,000 was approved by shareholders. These dividends paid were accounted for as a reduction in equity as a distribution of retained earnings for the financial year ended 31 December 2014.

23 Financial risk management objectives and policies

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and risk management philosophy. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 23.3) and foreign currency risk (Note 23.4).

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

23.1 Credit risk

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

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

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through ongoing credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

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

23.1 Credit risk (cont'd)

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the receivable balances, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of the reporting period.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables. Cash is held with established financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 8.

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

23.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's financial liabilities comprising other payables and accruals with contractual undiscounted cash flows approximating the carrying amount mature in less than one year. Nevertheless, the Group and the Company ensure that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group and the Company maintain sufficient level of cash on hand and in banks to meet its working capital requirements.

23.3 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.

The Group's and the Company's exposure to interest rate risk arises primarily from its cash in banks at floating rates which are contractually repriced at intervals of less than 6 months (2014: less than 6 months) from the end of the reporting period. Fixed deposits bear interest at fixed rate. All other financial assets and liabilities are interest-free.

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Fixed rate instruments				
Financial assets				
- Fixed deposits	**-**	19,188	**-**	-
Variable rate instruments				
Financial assets				
- Cash in banks	**10,507**	570	**130**	404

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

23.3 Interest rate risk (cont'd)

<u>Fair value sensitivity analysis for fixed rate instruments</u>

The Group and the Company do not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

<u>Cash flow sensitivity analysis for variable rate instruments</u>

At the end of the reporting period, if interest rates had been 100 (2014: 100) basis points higher/lower with all other variables held constant, the Group's and the Company's results net of tax and equity would have been S$105,000 (2014: S$6,000) and S$1,000 (2014: S$4,000) higher/lower, respectively, arising mainly as a result of higher/lower interest income from cash in banks at floating rates.

The Group's and the Company's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

23.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group and the Company have transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, namely Renminbi for the subsidiaries in the PRC and Singapore dollar for the Company.

At the end of the reporting period, the Company has balances due from subsidiaries, which are denominated in Renminbi and United States dollar. The Company also holds cash in banks denominated in United States dollar for working capital purposes.

Consequently, the Group and the Company are exposed to movements in foreign currency exchange rates. However, the Group and the Company do not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

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

23.4 Foreign currency risk (cont'd)

The Group's and the Company's exposures in financial instruments to the various foreign currencies are mainly as follows:

The Group	**Renminbi S$'000**	**United States dollar S$'000**
2015		
Cash and cash equivalents	**-**	**1**
Other payables and accruals	**(1,499)**	**-**
Net exposure	**(1,499)**	**1**
2014		
Cash and cash equivalents	-	1
Other payables and accruals	(692)	-
Net exposure	(692)	1

The Company	**Renminbi S$'000**	**United States dollar S$'000**
2015		
Cash and cash equivalents	**-**	**1**
Other payables and accruals	**(1,499)**	**-**
Net exposure	**(1,499)**	**1**
2014		
Trade and other receivables	-	924
Cash and cash equivalents	-	1
Other payables and accruals	(692)	-
Net exposure	(692)	925

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

23.4 Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Renminbi (RMB) and United States dollar (USD) exchange rates (against Singapore dollar), with all other variables held constant, of the Group's and the Company's results net of tax and equity.

		2015	2014
The Group		S$'000	S$'000
RMB	- strengthened 5% (2014: 5%)	**(75)**	(35)
	- weakened 5% (2014: 5%)	**75**	35
The Company			
RMB	- strengthened 5% (2014: 5%)	**(75)**	(35)
	- weakened 5% (2014: 5%)	**75**	35
USD	- strengthened 5% (2014: 5%)	**-**	46
	- weakened 5% (2014: 5%)	**-**	(46)

23.5 Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group and the Company do not hold any quoted or marketable financial instruments, hence, are not exposed to any movement in market prices.

24 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as going concern;

(b) To support the Group's and the Company's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and

(d) To provide an adequate return to shareholders.

The Group and the Company actively and regularly review and manage their capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

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

The Group and the Company are not subject to externally imposed capital requirements, except as disclosed below.

As disclosed in Note 11, the subsidiaries in the PRC are required by the relevant laws and regulations of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is restricted. This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2015 and 2014.

24 Capital management (cont'd)

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises other payables and accruals, less cash and cash equivalents. Total capital represents equity attributable to owners of the Company less the PRC subsidiaries' restricted statutory reserve fund.

	The Group		The Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Other payables and accruals (Note 12)	**5,012**	6,021	**1,917**	1,114
Total debt	**5,012**	6,021	**1,917**	1,114
Less: Cash and cash equivalents (Note 9)	**(10,508)**	(19,761)	**(130)**	(404)
Net (cash)/debt	**(5,496)**	(13,740)	**1,787**	710
Equity attributable to owners of the Company	**76,984**	147,325	**22,380**	92,305
Less: Statutory common reserve (Note 11)	**(3,200)**	(20,560)	**-**	-
Total capital	**73,784**	126,765	**22,380**	92,305
Total capital and net debt	**68,288**	113,025	**24,167**	93,015
Gearing ratio	**N.A.**	N.A.	**7%**	1%

N.A.: Not applicable

25 Financial instruments

Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables, cash and cash equivalents, and other payables and accruals, are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Statistics of Shareholdings

As at 22 March 2016

Issued and fully paid-up capital	:	S$67,692,624
Total number of issued shares	:	20,071,466
Class of shares	:	Ordinary
Voting Rights	:	One vote per share
Number of Treasury Shares	:	NIL

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of shares	%
1 - 99	55	1.74	2,625	0.01
100 - 1,000	1,814	57.26	1,042,925	5.20
1,001 - 10,000	1,119	35.32	3,638,826	18.13
10,001 - 1,000,000	178	5.62	6,827,234	34.01
1,000,001 & above	2	0.06	8,559,856	42.65
Grand Total	3,168	100.00	20,071,466	100.00

TWENTY LARGEST REGISTERED SHAREHOLDERS

	Name of Shareholder	No. of Shares	% of Shareholdings
1.	PHILLIP SECURITIES PTE LTD	6,231,356	31.05
2.	LOW JUNRUI (LIU JUNRUI)	2,328,500	11.60
3.	OCBC SECURITIES PRIVATE LTD	565,880	2.82
4.	DBS NOMINEES PTE LTD	342,400	1.71
5.	UOB KAY HIAN PTE LTD	335,294	1.67
6.	RHB SECURITIES SINGAPORE PRIVATE LIMITED	303,400	1.51
7.	UNITED OVERSEAS BANK NOMINEES PTE LTD	231,250	1.15
8.	BOON KOK HUP	223,000	1.11
9.	MAYBANK KIM ENG SECURITIES PTE LTD	217,450	1.08
10.	SHIE YONG FAH	198,000	0.99
11.	RAFFLES NOMINEES (PTE) LTD	178,335	0.89
12.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	121,750	0.61
13.	OCBC NOMINEES SINGAPORE PTE LTD	112,750	0.56
14.	PU WEIDONG	104,000	0.52
15.	LIM TJHUN SENG OR LIE SIOE GIAN	100,000	0.50
16.	TAN SOON LIN	98,000	0.49
17.	TBH INDUSTRIAL & MARINE PTE LTD	82,550	0.41
18.	TAN TENG CHYE	82,170	0.41
19.	HONG LEONG FINANCE NOMINEES PTE LTD	81,450	0.40
20.	WONG YEE FAI ANTOINE	70,238	0.35
	Total	12,007,793	59.83

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest		Total
Substantial Shareholders	No. of Shares	% of Shareholdings	No. of Shares	% of Shareholdings	%
Yuan Li Cheng Pte. Ltd. [(1)]			4,343,500	21.64	21.64
Yuan Liqiong [(2)]			4,343,500	21.64	21.64
Low JunRui	2,328,500	11.60	-	-	11.60

Notes:

(1) Yuan Li Cheng Pte. Ltd. has deemed interest in the 4,343,500 shares which are held through Philip Securities Pte Ltd.

(2) Yuan Liqiong has deemed interest in the 4,343,500 shares which are held through Philip Securities Pte Ltd by Yuan Li Cheng Pte. Ltd. Yuan Liqiong is the sole shareholder of Yuan Li Cheng Pte. Ltd.

PERCENTAGE OF SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 66.76% of the issued share capital of the Company is held in the hands of the public as at 22 March 2016. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been complied with.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Universal Resource and Services Limited (the **"Company"**) will be held on Friday, 29 April 2016 at 9.00 a.m. at Kingfisher 3, Level 1, Seletar Country Club, 101 Seletar Club Road, Singapore 798273 for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Directors' Statement and Report of Auditors thereon. **(Resolution 1)**

2. To re-elect Mr Liu Aizhong being a Director who retires pursuant to Regulation 91 of the Company's Constitution. [**Explanatory Note 1**] **(Resolution 2)**

3. To re-elect Mr Chin Yew Choong David being a Director who retires pursuant to Regulation 91 of the Company's Constitution. [**Explanatory Note 2**] **(Resolution 3)**

4. To approve the payment of Directors' Fees of S$155,000 for the financial year ending 31 December 2016. (2015: S$200,000) [**Explanatory Note 3**] **(Resolution 4)**

5. To re-appoint Foo Kon Tan LLP as Auditors of the Company for the financial year ending 31 December 2016 and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business that may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and, if deemed fit, to pass the following Ordinary Resolutions with or without modifications:

7. **SHARE ISSUE MANDATE**

   THAT pursuant to section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be given to the Directors of the Company to:

   I. (a) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(b) make or grant offers, agreements or options (collectively, "**Instruments**") that may 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 or exchangeable 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

II. (notwithstanding that 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:

(a) 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 fifty percent (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued Share shall be calculated based on the total number of issued Shares (excluding treasury shares), if any, at the time of the passing of this Resolution, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided that the options or awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidated or subdivision of Shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Companies Act, Listing Manual of the SGX-ST 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

(d) 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 (the "**AGM**") or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier. [**Explanatory Note 4**] **(Resolution 6)**

8. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER**

(a) UNIVERSAL RESOURCE AND SERVICES PERFORMANCE SHARE PLAN

THAT the Directors of the Company be authorized to offer and grant awards from time to time in accordance with the provisions of the Universal Resource and Services Performance Share Plan (the "**Plan**") and section 161 of the Companies Act, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Plan, provided always that the aggregate number of shares to be issued pursuant to the Plan, when added to the number of shares issued and/or issuable under other share-based incentives schemes of the Company, shall not exceed fifteen percent (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company from time to time. [**Explanatory Note 5**] **(Resolution 7A)**

(b) UNIVERSAL RESOURCE AND SERVICES EMPLOYEE SHARE OPTION SCHEME

THAT the Directors of the Company be authorized to offer and grant options from time to time in accordance with the provisions of the Universal Resource and Services Employee Share Option Scheme (the "**Scheme**") and section 161 of the Companies Act, to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme, when added to the number of Shares issued and/or issuable under other share-based incentives schemes of the Company, shall not exceed fifteen percent (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company from time to time. [**Explanatory Note 5**] **(Resolution 7B)**

By Order of the Board

Raymond Lam Kuo Wei
Tan Ching Ching
Company Secretaries

Singapore, 11 April 2016

EXPLANATORY NOTES:

(1) **Resolution 2** – Mr Liu Aizhong, if re-elected, will remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee of the Company. He is considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(2) **Resolution 3** – Mr Chin Yew Choong David, if re-elected, will remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee of the Company. He is considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(3) **Resolution 4** – This Resolution is to facilitate payment of Directors' fees during the financial year 2016 in which the fees are incurred. The aggregate amount of Directors' fees provided in the resolution is calculated on the assumption that all the present Directors will hold office for the whole of the financial year ending 31 December 2016 ("**FY 2016**"). Should any Director hold office for only part of FY 2016 and not the whole of FY 2016, the Director's fee payable to him/her will be appropriately pro-rated.

(4) **Resolution 6** – This Resolution, if passed, will empower the Directors, effective until (i) the conclusion of the next AGM of the Company, or (ii) the date by which the next AGM of the Company is required by law to be held or (iii) the date on which such authority is varied or revoked by the Company in a general meeting, whichever is the earliest, to issue Shares and/or Instruments up to an aggregate number not exceeding fifty percent (50%) of the total number of issued Shares (excluding treasury shares) of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed twenty percent (20%) of the total number of issued Shares.

(5) **Resolutions (7A) & (7B)** –Resolutions 7A and 7B, if passed, will empower the Directors to offer and grants awards and/or options and to allot and issue Shares in the capital of the Company, under the vesting of awards and/or the exercise of options) under the Plan and/or Scheme respectively, provided that the aggregate number of shares to be issued under the Plan and Scheme shall not exceed fifteen percent (15%) of the total number of issued Shares (excluding treasury shares) of the Company from time to time.

NOTES:

1. A member of the Company entitled to attend and vote at the AGM (other than a member who is a relevant intermediary) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. Where a member appoints more than one proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100 per cent of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

3. Pursuant to section 181 of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Annual General Meeting instead of such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "relevant intermediary" means:

   (a) a banking corporation licenced under the Banking Act (Cap. 19), or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

4. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he deems fit.

5. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.

Notice of the Annual General Meeting

6. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.

7. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with section 179 of the Companies Act.

8. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.

9. The instrument appointing a proxy must be deposited at the office of the Share Registrar of the Company, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544 not less than 48 hours before the time appointed for holding of the AGM or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.

GENERAL:

The Company shall be entitled to reject the instrument 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 instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register 72 hours before the time appointed for holding the AGM or adjourned meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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UNIVERSAL RESOURCE AND SERVICES LIMITED

(Incorporated in the Republic of Singapore)
(Reg. No. 200312303R)

PROXY FORM – ANNUAL GENERAL MEETING

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who are unable to attend the meeting but would like to cast their votes, may inform their CPF Approved Nominees to appoint the Chairman of the Meeting as their proxy.
4. This proxy form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____ (full name in capital letters)

NRIC No./Passport No./Company No. ____ of

____ (full address)

being a member/members of Universal Resource and Services Limited (the "**Company**"), hereby appoint

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	%
Address			

or failing him/her/them, the Chairman of the Annual General Meeting ("**AGM**"), as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM of the Company to be held on Friday, 29 April 2016, at 9.00 a.m. at Kingfisher 3, Level 1, Seletar Country Club, 101 Seletar Club Road, Singapore 798273 and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out hereunder. Alternatively, please indicate the number of votes as appropriate. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matters arising at the AGM and at any adjournment thereof.)

Resolution No.	**ORDINARY BUSINESS**	**For**	**Against**
Resolution 1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Directors' Statement and Report of Auditors thereon.		
Resolution 2	To re-elect Mr Liu Aizhong being a Director who retires pursuant to Regulation 91 of the Company's Constitution.		
Resolution 3	To re-elect Mr Chin Yew Choong, David being a Director who retires pursuant to Regulation 91 of the Company's Constitution.		
Resolution 4	To approve payment of Directors' Fees for the financial year ending 31 December 2016.		
Resolution 5	To re-appoint Foo Kon Tan LLP as Auditors and to authorise Directors to fix their remuneration.		
	SPECIAL BUSINESS		
	Ordinary Resolutions:		
Resolution 6	To approve and adopt Share Issue Mandate.		
Resolution 7A	To authorize Directors to allot and issue shares pursuant to the provisions of the Universal Resource and Services Performance Share Plan.		
Resolution 7B	To authorize Directors to allot and issue shares pursuant to the provisions of the Universal Resource and Services Employee Share Option Scheme.		

Dated this ____________ day of _________ 2016

Total Number of Shares held in:	
CDP Register	
Register of Members	

____

Signature(s) of members(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

1. A member should insert the total number of ordinary shares in the capital of the Company ("**Shares**") held. If the member has Shares entered against his name in the Depository Register, he should insert that number of shares. If the member has Shares registered in his name in the Register of Members of the Company, he should insert that number of Shares. If the member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members, he should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by member.
2. A member of the Company entitled to attend and vote at the AGM (other than a member who is a relevant intermediary) is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100 per cent of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
4. Pursuant to section 181 of the Companies Act (Cap. 50), a member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM instead of such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "relevant intermediary" means:

   (a) a banking corporation licenced under the Banking Act (Cap. 19), or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.
5. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstained as he thinks fit.
6. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.
7. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his attorney.
8. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with section 179 of the Companies Act (Cap. 50).
9. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.
10. The instrument appointing a proxy must be deposited at the Office of the Share Registrar of the Company, B.A.C.S. Private Limited at 8 Robinson Road, #03-00 ASO Building, Singapore 048544, not less than 48 hours before the time appointed for holding of the AGM.

GENERAL:

The Company shall be entitled to reject the instrument 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 instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register 72 hours before the time appointed for holding the AGM or adjourned meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 April 2016.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wu Chunlan
(Chairperson and Chief Executive Officer)
Chin Yew Choong, David
(Lead Independent Director)
Chow Wai San
(Independent Director)
Liu Aizhong
(Independent Director)

COMPANY SECRETARIES

Raymond, Lam Kuo Wei *(LL.B. (Honours))*
Tan Ching Ching

AUDIT COMMITTEE

Chow Wai San *(Chairman)*
Chin Yew Choong, David
Liu Aizhong

REMUNERATION COMMITTEE

Chin Yew Choong, David *(Chairman)*
Chow Wai San
Liu Aizhong

NOMINATING COMMITTEE

Liu Aizhong *(Chairman)*
Chin Yew Choong, David
Chow Wai San

REGISTERED OFFICE

10 Collyer Quay #10-01,
Ocean Financial Centre,
Singapore 049315
Tel : (65) 6531 2266
Fax : (65) 6533 1542

BEIJING OFFICE

#20-01, Block A, Zhongji Subaru Building
16 Ronghua South Road
Beijing Economic-Technological
Development Area
Beijing 100176
People's Republic of China

SINGAPORE OFFICE

60 Albert Street
#09-10, OG Albert Complex
Singapore 189969

AUDITORS

Foo Kon Tan LLP
47 Hill Street, #05-01 Singapore Chinese
Chamber of Commerce & Industry Building
Singapore 179365
Partner-in-charge: Robin Chin Sin Beng
Date of appointment: 12 January 2012

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S. Private Limited
#03-00, ASO Building
8 Robinson Road
Singapore 048544

PRINCIPAL BANKERS

Bank of Tianjin, Dagang Branch
75 Yingbin Street
Dagang District
Tianjin 300270
People's Republic of China

DBS Bank Ltd.
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3,
Singapore 018982

UNIVERSAL RESOURCE AND SERVICES LIMITED Annual Report 2015

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