



Regulatory Announcement

18 May 2020

SGX RegCo to review Universal Resource and Services Limited's special auditors' report for possible listing rule breaches

Singapore Exchange Regulation ("SGX RegCo") refers to Universal Resource and Services Limited's 18 May 2020 announcement of findings by special auditors, Moore Stephens LLP.

The special audit concerns the irregularities in the cash and bank balances of the company's subsidiary in the People's Republic of China ("PRC"), SKY Petroleum Technology Development (Tianjin) Co., Ltd ("SKY Tianjin").

In its report, Moore Stephens LLP highlighted material discrepancies between SKY Tianjin's bank statements based on its records maintained in Singapore, and its bank statements extracted by Moore Stephens LLP from the relevant banks in the PRC. In this regard, we note the following:

- (a) SKY Tianjin's bank statements did not reflect any utilisation of funds as payment for the consideration of three acquisitions undertaken by SKY Tianjin, as announced by the company on 20 June 2014, 12 January 2015 and 31 August 2015. Based on these findings, these acquisitions were fictitious and inappropriately accounted for in the group's consolidated financial statements, potentially breaching Listing Rules 703(4) and 705(5).
- (b) The group's consolidated financial statements did not disclose that SKY Tianjin had pledged RMB310,000,000 and RMB90,000,000 of fixed deposits with Ping An Bank – Dagang Branch in June 2014 and January 2015 respectively, as security for loans taken by the company's former 46.55% indirectly-owned subsidiary, Wenling Xinghai Ocean Shipping Co., Ltd, potentially breaching Listing Rules 703(4) and 705(5).
- (c) The group did not have a robust and effective system of internal controls in respect of the custody and application of its common seal, legal representative seals and finance seals, potentially breaching Listing Rule 719.

The alleged corporate malfeasance, the substantial amounts involved and the period of time over which these suspected wrongdoings occurred and remained undetected, all of these point to possible non-compliance with many parts of our Listing Rules. The Exchange notes that the findings of Moore Stephens LLP indicate that the company and its management had questionable corporate governance practices and poor accounting practices. Within the company's internal controls, necessary checks and balances to guard against the concentration of power by a single individual appear to be lacking. The internal controls thereby failed to ensure the accuracy and veracity of the company's financial records over a significant period. Consequently, multiple false disclosures may have been made to the investing public as part of a systemic scheme of deceit perpetrated from within.

In this regard, the Exchange expects listed issuers to establish proper checks and balances within its system of internal controls to ensure the veracity of financial records and the factual accuracy of disclosures on SGXNet, as well as to guard against any irregularities or fraud.

The special audit report suggests several potentially serious breaches of our Listing Rules, and perhaps even the law. We will therefore be reviewing the findings very carefully. If necessary, we will take disciplinary action and refer the matter to the relevant authorities.

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Media Contact

Carolyn Lim
Marketing & Communications
+65 6236 8139
Carolyn.lim@sgx.com