



Financial Statement Announcement for 1st Quarter ended 31 March 2015

Part 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

The Board of Directors announces the unaudited results of the Group for the 1st quarter ended 31 March 2015.

| | Group | | Increase / (Decrease) |
|--|-----------------|-----------------|--------------------------|
| | 1st Qtr 2015 | 1st Qtr 2014 | |
| | S\$'000 | S\$'000 | % |
| Revenue | 6,843 | 3,756 | 82% |
| Cost of services | (4,993) | (1,644) | 204% |
| Gross profit | 1,850 | 2,112 | (12%) |
| Other operating income | 117 | 374 | (69%) |
| Administrative expenses | (647) | (699) | (7%) |
| Profit before tax | 1,320 | 1,787 | (26%) |
| Taxation | (696) | (716) | (3%) |
| Profit for the period | 624 | 1,071 | (42%) |
| Other comprehensive income, net of tax | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | |
| Currency translation differences on consolidation | 6,419 | (4,232) | n.m. |
| Total comprehensive income for the period | 7,043 | (3,161) | n.m. |
| Net profit attributable to: | | | |
| Owners of the parent | 624 | 1,071 | (42%) |
| Non-controlling interests | - | - | |
| | 624 | 1,071 | |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | 6,884 | (3,022) | |
| Non-controlling interests | 159 | (139) | |
| | 7,043 | (3,161) | |

n.m. Not meaningful

- 1 (a)(ii) Included in the determination of profit before tax are the following items:

| | Group | | Increase / (Decrease) |
|----------------------------------|-----------------|-----------------|--------------------------|
| | 1st Qtr 2015 | 1st Qtr 2014 | |
| | S\$'000 | S\$'000 | % |
| Depreciation | 4,876 | 1,435 | 240% |
| Interest income | (117) | (374) | (69%) |
| Net foreign exchange (gain)/loss | 45 | 17 | n.m. |

From Q3 2014 onwards, the estimated useful life and depreciation method of oil-drilling equipment were revised, from ten years to eight and from straight-line method to diminishing balance method, respectively. The changes resulted in higher depreciation charges for Q1 FY2015 as compared to Q1 FY2014.

n.m. Not meaningful

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

| | Notes | Group | | Company | |
|--|-------|----------------------|----------------------|----------------------|----------------------|
| | | 31-Mar-15 S\$'000 | 31-Dec-14 S\$'000 | 31-Mar-15 S\$'000 | 31-Dec-14 S\$'000 |
| ASSETS | | | | | |
| Non-current assets: | | | | | |
| Investments in subsidiaries | | - | - | 82,606 | 82,606 |
| Deferred tax assets | | 1,308 | 855 | - | - |
| Plant and equipment | | 73,271 | 75,154 | 2 | 2 |
| Total non-current assets | | 74,579 | 76,009 | 82,608 | 82,608 |
| Current assets: | | | | | |
| Cash and bank balances | I | 20,274 | 19,761 | 71 | 404 |
| Trade receivables | II | 6,252 | 521 | - | - |
| Other receivables | III | 66,566 | 64,117 | 10,596 | 10,408 |
| Total current assets | | 93,092 | 84,399 | 10,667 | 10,812 |
| Total assets | | 167,671 | 160,408 | 93,275 | 93,420 |
| LIABILITIES AND EQUITY | | | | | |
| Current liabilities: | | | | | |
| Other payables | | 5,871 | 5,808 | 1,184 | 1,114 |
| Receipt in advance | | - | 213 | - | - |
| Income tax payable | | 1,146 | 836 | 1 | 1 |
| Total current liabilities | | 7,017 | 6,857 | 1,185 | 1,115 |
| Non-current liability: | | | | | |
| Deferred tax liabilities | | 3,096 | 3,036 | - | - |
| Total non-current liabilities | | 3,096 | 3,036 | - | - |
| Total liabilities | | 10,113 | 9,893 | 1,185 | 1,115 |
| Equity attributable to owners of the parent | | | | | |
| Issued capital | | 68,080 | 68,080 | 68,080 | 68,080 |
| Share option reserve | | 166 | 166 | 166 | 166 |
| Currency translation reserve | | 14,417 | 8,157 | - | - |
| General reserves | | 20,560 | 20,560 | - | - |
| Accumulated profits | | 50,986 | 50,362 | 23,844 | 24,059 |
| | | 154,209 | 147,325 | 92,090 | 92,305 |
| Non-controlling interests | | 3,349 | 3,190 | - | - |
| Total equity | | 157,558 | 150,515 | 92,090 | 92,305 |
| Total liabilities and equity | | 167,671 | 160,408 | 93,275 | 93,420 |

1(b) Notes to Balance Sheets

I Cash and bank balances

Cash and cash balances increased by S\$0.5 million from previous financial year to S\$20.3 million. The increase was mainly due to the following transactions:

- i) Payment of S\$0.7 million for the Corporate Income Taxes due in the PRC;
- ii) Interest income of \$0.1 million for the fixed deposits placed; and
- iii) Cash generated from operations.

For details, please refer to the cashflow statements in 1(c).

1(b) Notes to Balance Sheets (continued)

II Trade receivables

| | Group | |
|--------------------------------|-----------|-----------|
| | 31-Mar-15 | 31-Dec-14 |
| | S\$'000 | S\$'000 |
| Amount receivable from: | | |
| - rental of drilling equipment | 6,252 | 521 |

The rental receivables are over-due for 90 days. This is mainly due to the delay in the settlement of outstanding rentals. Please refer to paragraph 10 for further details.

III Other receivables

| | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 31-Mar-15 | 31-Dec-14 | 31-Mar-15 | 31-Dec-14 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| <u>Current</u> | | | | |
| Deposit paid for acquisition of oil blocks | 60,184 | 57,824 | - | - |
| VAT receivable | 6,193 | 6,074 | - | - |
| Prepayments | 42 | 22 | 42 | 22 |
| Refundable deposits | 147 | 197 | 65 | 76 |
| Due from subsidiaries | - | - | 10,296 | 10,310 |
| | 66,566 | 64,117 | 10,403 | 10,408 |

Deposit paid for acquisition of oil blocks relates to the first payment in cash of US\$49,990,000 (RMB 271,220,000) 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, 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. 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. Please refer to the Company's earlier announcement on this issue dated 11 November 2013, 7 May 2014, 10 November 2014, 12 January 2015, 30 January 2015 and 27 February 2015.

As there was a reconstitution of the board recently, the new Board is still reviewing the proposed acquisition to ensure the Proposed Acquisition meets the requirements of the Listing Manual. As such, none of the actions described is an indication that the Board is ratifying the Proposed Acquisition. The Company will made the necessary announcement when there is new development in relation to the Proposed Acquisition

VAT receivable represents the tax paid on the drilling equipment purchased, which are to be carried forward and offset against future output VAT.

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

The group did not have any borrowings or outstanding debt securities as at 31 March 2015 and 31 December 2014.

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

| | | Group | |
|---|-------|-----------------|-----------------|
| | | 1st Qtr 2015 | 1st Qtr 2014 |
| | | S\$'000 | S\$'000 |
| Operating activities | | | |
| Profit before income tax | | 1,320 | 1,787 |
| Adjustments for: | | | |
| Depreciation of plant and equipment (please also refer to 1 (a)(ii) above) | | 4,876 | 1,435 |
| Interest income | | (117) | (374) |
| Translation differences | | (29) | 280 |
| Operating cash flow before movements in working capital | | 6,050 | 3,128 |
| Trade receivables | | (5,731) | - |
| Other receivables | | 153 | (31) |
| Receipt in advance | | (213) | (267) |
| Other payables | | 63 | (197) |
| Cash generated from operations | | 322 | 2,633 |
| Income tax paid | | (716) | - |
| Net cash generated from / (used in) operating activities | | (394) | 2,633 |
| Investing activities | | | |
| Interest received | | 117 | 374 |
| Proceeds from disposal of the Transportation Segment | | - | 11,824 |
| Net cash generated from investing activities | | 117 | 12,198 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | 790 | (3,219) |
| Net increase in cash and cash equivalents | | 513 | 11,612 |
| Cash and cash equivalents at beginning of quarter | | 19,761 | 97,892 |
| Cash and cash equivalents at end of quarter | (I) | 20,274 | 109,504 |

1(c) **Notes to cash flow statement**

I Cash and cash equivalents

| | | Group | |
|---------------------------|--|-----------------|-----------------|
| | | 1st Qtr 2015 | 1st Qtr 2014 |
| | | S\$'000 | S\$'000 |
| Cash at banks and on hand | | 303 | 89,174 |
| Fixed deposits | | 19,971 | 20,330 |
| | | 20,274 | 109,504 |

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

Consolidated Statement of Changes in Equity for the period ended 31 March 2015 and year ended 31 December 2014

| Group | Share capital | Share option reserve | Currency translation reserve | General reserve | Accumulated profits | Equity attributable to the owners of the parent | Non-controlling Interests | Total |
|--|---------------|----------------------|------------------------------|-----------------|---------------------|---|---------------------------|----------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1 January 2014 | 68,080 | 166 | 5,277 | 20,560 | 47,209 | 141,292 | 3,148 | 144,440 |
| Translation adjustment recognised directly in equity | - | - | 2,880 | - | - | 2,880 | (1) | 2,879 |
| Profit for the year | - | - | - | - | 3,554 | 3,554 | 43 | 3,597 |
| Total comprehensive income for the year | - | - | 2,880 | - | 3,554 | 6,434 | 42 | 6,476 |
| Dividends on ordinary shares | - | - | - | - | (401) | (401) | - | (401) |
| Balance at 31 December 2014 | 68,080 | 166 | 8,157 | 20,560 | 50,362 | 147,325 | 3,190 | 150,515 |
| Translation adjustment recognised directly in equity | - | - | 6,260 | - | - | 6,260 | 159 | 6,419 |
| Profit for the period | - | - | - | - | 624 | 624 | - | 624 |
| Total comprehensive income for the period | - | - | 6,260 | - | 624 | 6,884 | 159 | 7,043 |
| Balance at 31 March 2015 | 68,080 | 166 | 14,417 | 20,560 | 50,986 | 154,209 | 3,349 | 157,558 |

Statement of Changes in Equity of the Company for the period ended 31 March 2015 and year ended 31 December 2014

| Company | Share capital | Share option reserve | Accumulated profits | Total equity |
|---|---------------|----------------------|---------------------|---------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance at 1 January 2014 | 68,080 | 166 | 25,429 | 93,675 |
| Loss for the year | - | - | (969) | (969) |
| Dividends on ordinary shares | - | - | (401) | (401) |
| Total comprehensive income for the year | - | - | (1,370) | (1,370) |
| Balance at 31 December 2014 | 68,080 | 166 | 24,059 | 92,305 |
| Loss/ total comprehensive income for the period | - | - | (215) | (215) |
| Balance at 31 March 2015 | 68,080 | 166 | 23,844 | 92,090 |

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

| Share Capital | No. of shares |
|---------------------------------------|----------------|
| Ordinary shares issued and fully paid | ('000) |
| Balance as at 1 January 2015 | |
| and as at 31 March 2015 | <u>401,430</u> |

During the period ended 31 March 2015, our Company did not issued new shares under the Universal Resource and Services Employee Share Option Scheme. As at 31 March 2015, options to subscribe for ordinary shares in our Company remained outstanding as follows:

| | As at 31 March 2015 | As at 31 Dec 2014 |
|--|---------------------|-------------------|
| | No. of shares | No. of shares |
| Pursuant to Universal Resource and Services Employee Share Option Scheme | <u>1,785,000</u> | <u>1,785,000</u> |

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

The Company's total number of issued shares (excluding treasury shares) as at 31 March 2015 was 401,429,540 (31 December 2014: 401,429,540) .

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

The figures have not been audited or reviewed by the auditors.

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

Not Applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial information for the current financial period compared with those of the audited financial statements as at 31 December 2014.

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

The Group has adopted the new and revised accounting standards which became effective for annual periods beginning on or after 1 January 2015.

The adoption of these new and revised accounting standards did not give rise to any significant impact on the financial statements for the financial period ended 31 March 2015.

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

- (a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

| | Group | |
|--|-----------------|-----------------|
| | 1st Qtr 2015 | 1st Qtr 2014 |
| Earnings per ordinary share: | | |
| Based on weighted average no. of ordinary shares in issue (basic) and on a fully diluted basis (cents) | 0.16 | 0.27 |
| Number of shares in issue: | | |
| Based on weighted average no. of ordinary shares in issue and on a fully diluted basis (in million) | 401.43 | 401.43 |

Earnings per ordinary share is calculated based on the Group's profit for the financial period attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue during the period under review.

Diluted earnings per ordinary share is calculated based on the same basis as earnings per share by applying the weighted average number of ordinary shares and adjusted to include the outstanding share options deemed converted up to the respective reporting periods.

The 1,785,000 (2014: 1,785,000) 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 period ended 31 March 2015 and 2014 during which the options were outstanding does not exceed the exercise price of the options.

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

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

| | Group | | Company | |
|---|-----------|-----------|-----------|-----------|
| | 31-Mar-15 | 31-Dec-14 | 31-Mar-15 | 31-Dec-14 |
| Net Assets Value (S\$ '000) | 154,209 | 147,325 | 92,090 | 92,305 |
| Based on existing issued share capital (cents per share) | 38.41 | 36.70 | 22.94 | 22.99 |
| Net Assets Value has been computed based on the share capital of (in million of shares) | 401.43 | 401.43 | 401.43 | 401.43 |

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

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

Revenue

The Group's recorded a revenue of S\$6.8 million in Q1 2015, there was an increase of S\$3.1 million (or 82%) as compared to the previous corresponding quarter in 2014. The increase was mainly due to the contributions from new contracts for the rental of equipment acquired in FY2014.

Details for revenue generated from each segment are as follows:

| | Group | | |
|------------------------|-----------------|-----------------|--------------------------|
| | 1st Qtr 2015 | 1st Qtr 2014 | Increase / (Decrease) |
| | S\$'000 | S\$'000 | % |
| Rental of Drilling Rig | 6,773 | 3,645 | 86% |
| Oil well maintenance | 70 | 111 | -37% |
| Total | 6,843 | 3,756 | 82% |

Profitability

The Group's major profit contributions are still from the Rental of Drilling Rig Segment. Gross profit margin for Q1 2015 was 29 percentage points lower as compared to Q1 2014, detailed figures are as follows:

| | Group | | | |
|------------------------|-----------------|--------|-----------------|-------|
| | 1st Qtr 2015 | | 1st Qtr 2014 | |
| | S\$'000 | GP% | S\$'000 | GP% |
| Rental of Drilling Rig | 1,894 | 28.0% | 2,119 | 58.1% |
| Oil well maintenance | (44) | -62.9% | (7) | -6.3% |
| Total | 1,850 | 27.0% | 2,112 | 56.2% |

Rental of Drilling Rig

The gross profit margin for Q1 2015 was comparatively lower and recorded a dip from S\$2.1 million to S\$1.9 million as compared to Q1 2014. This is mainly due to the revisions in the estimated useful life and depreciation method of oil-drilling equipment.

Oil well maintenance

The oil well service operation is not significant and recorded an immaterial gross loss for Q1 2015.

Net profit attributable to the owners of the parent

The Group recorded a net profit of S\$0.6 million for Q1 2015 as compared to S\$1.1 million for Q1 2014, this was mainly due to the changes in the estimated useful life and depreciation method of drilling equipment.

The Group reports an overall net profit attributable to the shareholders of S\$0.6 million for the Q1 2015.

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

Not Applicable.

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

General business environment

As a result of the plunge in the global oil prices since late 2014, oil producers within the PRC have reduced their extraction activities and are switching to import to fulfill their energy requirements. Companies that have secured contracts from state-owned entities to perform extraction services have also experienced a significant slowdown in their business activities.

Implications of the general business environment to the Group

Rental income from our Rental of Drilling Rig Segment has provided the Group with a relatively stable source of revenue and cashflow. As present, the Group is solely dependent on the Rental of Drilling Rig Segment which derived its revenue from two customers.

Currently, as a result of slowdown in business activities of our customers, the Group has experienced delays in the settlement of rental payments. The Management is monitoring this trend and is following up closely with our customers in relation to the overdue receivables. As a result of the general business environment as described above, this trend may continue and may affect the performance of the Group.

In addition, the Group's performance will be dependent on the ability of the Group to continue to obtain comparable terms (such as inter alia rental rates) as those of the existing contracts for any renewal of contract and/or variation of contract. Any failure to do so may adversely affect the Group's performance unless the Group is able to procure new customers who are able to provide rates comparable to those that the Group is currently enjoying.

Update on the proposed acquisition of 57.64% of the issued and paid up capital of Hongkong New Wing Energy Development Company Limited ("Proposed Acquisition")

As there was a reconstitution of the board recently, the new Board, in consultation with relevant professionals, is undertaking a review of the Proposed Acquisition and will made the necessary announcement when there is new development in relation to the Proposed Acquisition. None of the actions described is an indication that the Board is ratifying the Proposed Acquisition.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended.

(b) Corresponding Period of the Immediately Preceding Financial year

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

No dividend was declared or recommended.

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

12 To disclose in the quarterly and full year announcements whether the group has obtained a general mandate from shareholders for Interested Person Transactions (IPT), and the aggregate value of such transactions. If no IPT mandate has been obtained, a statement is required.

No IPT mandate has been obtained from our shareholders.

13 Negative assurance confirmation on interim financial results under SGX Listing Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the first quarter ended 31 March 2015 financial results to be false or misleading.

ON BEHALF OF THE DIRECTORS

Wu Chunlan
Chairperson of the Board

Chow Wai San
Independent Director

BY ORDER OF THE BOARD
14 May 2015